

Renosterberg Municipality

SCHEDULE A

**AN ANNUAL BUDGET AND SUPPORTING
DOCUMENTATION OF A MUNICIPALITY**

2018/19



ANNUAL BUDGET OF
Renosterberg Municipality

2018/19

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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- In the foyers of all municipal buildings
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 - At www.treasury.gov.za

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	Litre
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BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act
CFO	Chief Financial Officer		Programme
CM	City Manager	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
CRRF	Capital Replacement Reserve Fund	MPRA	Municipal Properties Rates Act
DBSA	Development Bank of South Africa	MSA	Municipal Systems Act
Dora	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
DWA	Department of Water Affairs	MTREF	Medium-term Revenue and Expenditure Framework
EE	Employment Equity	NERSA	National Electricity Regulator South Africa
EEDSM	Energy Efficiency Demand Side Management	NGO	Non-Governmental organisations
EM	Executive Mayor	NKPIs	National Key Performance Indicators
FBS	Free basic services	OHS	Occupational Health and Safety
GAMAP	Generally Accepted Municipal Accounting Practice	OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSRC	Human Science Research Council	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Strategy	RG	Restructuring Grant
IT	Information Technology	RSC	Regional Services Council
kℓ	kilolitre	SALGA	South African Local Government Association
Km	kilometre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
KWh	kilowatt		

Part 1 – Annual Budget**1.1 Mayor's Report**

An integrated development plan and a budget are key documents in the life of a municipality. It seeks to guide both its residents and staff and to clearly set out the strategic direction of the council and how it will allocate its limited resources. The IDP document is the fourth revision of the IDP adopted in May 2017, whilst the budget is an annual document with a medium term expenditure framework for the outer years. The review process of the IDP this year focused on the following priority areas: Housing Services, Infrastructure Development, Local Economic Development, Financial Management and Public Participation. Developing an all-encompassing document of this nature and the subsequent budget is by no means an easy task and involved many hours of debate and interaction with the officials and Ward Committees. The question is frequently asked. What makes a city or town successful? One way of thinking about what makes a city or town successful is provided by the South African Cities Network, City Scorecard, which identifies four key areas in which towns need to excel in. These are: - Inclusiveness – All citizens must share in the benefits and opportunities provided;

Productive - Resources must be used effectively to generate economic benefits;

Well governed - Services must be rendered in an efficient, effective manner;

The leadership must not only effect co-operation between its local communities but also between the spheres of government;

Sustainable - Development must not cause social instability or the depletion of its natural resources

These principles must underpin all that we seek to do in order to achieve our Vision for the Renosterberg Municipality.

In tabling the IDP and Budget document I look forward to the discussion and debate that it will generate. The IDP and budget process should be seen as an enabling framework that guides our actions and the allocation of our resources. It is also a framework that will help align the actions of other stakeholders. We live in a changing world and as such the IDP and budget must always be dynamic in nature so as to ensure continuous refinement. Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Renosterberg Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the Renosterberg Municipality 2018/19 Annual Budget and MTREF MARCH 2018 little available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

1.2 Council Resolutions

On 29 May 2018 the Council of Renosterberg Municipality Local Municipality met in the Council Chambers of Renosterberg Local Municipality to consider the annual budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Renosterberg Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management
 - 1.2.5. Basic service delivery measurement.
2. The Council of Renosterberg Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2010:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure A
 - 2.3. the tariffs for the supply of water – as set out in Annexure A
 - 2.4. the tariffs for sanitation services – as set out in Annexure A
 - 2.5. the tariffs for solid waste services – as set out in Annexure A
3. The Council of Renosterberg Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services.
4. To give proper effect to the municipality's annual budget, the Council of Renosterberg Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3. Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that Renosterberg Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Renosterberg Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Critical review was undertaken on expenditure of noncore and 'nice to have items'. Key areas where savings were realized were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

Renosterberg has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

The budget was prepared in conjunction with the MFMA circulars 70,71,72,74,75,78,79 and 82, 91 and other regulations.

IDP and linkage of IDP to budget (Capital Budget)

The current linkage of the IDP to the budget is broken down as follow:

1. Income

A. Capital Budget

1.1 Municipal Infrastructure Grant	R 7,426,000
1.2 Water Services Infrastructure Grant	R 5,500,000
1.3 Integrated National Electrification Programme Grant	R 2,000,000

1.4 EPWP	R 1,000,000
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B. Operating Budget

1. Total expected Rates Income	R 1,515,000
2. Other Levied Services budgeted Income	R12,022,000
2.1 Electricity	R 5,086,000
2.2 Water	R 2,806,000
2.3 Sewerage	R 2,235,000
2.4 Refuge	R 1,895,000
3. Fines	R 163,000
4. Licenses and permits	R 84,000
5. Rental of Facilities and equipment	R 73,000
6. Interest - External Investment	R 300,000
7. Operating Grants	R24,652,000
7.1 Equitable Share	R22,237,000
7.2 Local Government Finance Management Grant	R 2,415,000
8. Other Budgeted Revenue	R 1,530,000

9. The total Budget Revenue (Income) for the 2018/2019 financial year is R 56,947,000. It consists out of:

9.1 Capital Grants:	R15,526,000
9.2 Operating Grants:	R25,733,000
9.3 Own Generated Income	R15,688,000

There is a decrease in the total budgeted income in relation to the previous year due to:

- Operational Grant decreased by R 3,346,000.
- The decrease in MIG grant. The Construction of the Waste water treatment plant is in its final stage.
- The MIG Grant reduces by R 8,101,000.

2. Expenditure

2.1 Salary and Wages

- The total salaries and social contribution for the year amounts to R 19,199,000.
- Annual increase of 7% has been provided as the Collective Wage Agreement has not yet been finalized by SALGBC.
- The total Salary package includes the salary of all the current personnel and the vacant position of senior management.
- The salary budget needs to be monitored as we must really assess the current staff and positions.
- The salary percentage to the Operating Budget is 47% and to the total capital and operating budget it is 34%.

2.2 Councillor Remuneration

- Councillor remuneration amounts for R2, 914,000.
- Councillor remuneration has been provided a 7% increase on the current Public Officers Bearers Act, dated December 2017.
- The councillor remuneration percentage to the capital and operational budget is 5%.

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1.3. Executive Summary

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1.4 EPWP	R 1,000,000
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B. Operating Budget

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6. Interest - External Investment	R 300,000
7. Operating Grants	R24,652,000
7.1 Equitable Share	R22,237,000
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8. Other Budgeted Revenue	R 1,530,000

9. The total Budget Revenue (Income) for the 2018/2019 financial year is R 56,947,000. It consists out of:

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9.2 Operating Grants:	R25,733,000
9.3 Own Generated Income	R15,688,000

There is a decrease in the total budgeted income in relation to the previous year due to:

- Operational Grant decreased by R 3,346,000.
- The decrease in MIG grant. The Construction of the Waste water treatment plant is in its final stage.
- The MIG Grant reduces by R 8,101,000.

2. Expenditure

2.1 Salary and Wages

- The total salaries and social contribution for the year amounts to R 19,199,000.
- Annual increase of 7% has been provided as the Collective Wage Agreement has not yet been finalized by SALGBC.
- The total Salary package includes the salary of all the current personnel and the vacant position of senior management.
- The salary budget needs to be monitored as we must really assess the current staff and positions.
- The salary percentage to the Operating Budget is 47% and to the total capital and operating budget it is 34%.

2.2 Councillor Remuneration

- Councillor remuneration amounts for R2, 914,000.
- Councillor remuneration has been provided a 7% increase on the current Public Officers Bearers Act, dated December 2017.
- The councillor remuneration percentage to the capital and operational budget is 5%.

The total salaries and wages, social contributions and councillor remuneration is 39% in relation to the total Capital and operating budget.

2.3 Provision for Bad debts is R 5,711,000.

2.4 Depreciation estimated at R 20,000,000.

2.5 Bulk purchases for electricity are fixed at R 9,231,000 which includes the repayment amount for arrears at Eskom.

2.6 Contracted Services costs are budgeted for Legal Fees at R 566,000. (Majila and Partners Attorneys)

2.7 Finance Charges are R 152, 000.

2.8 Operating Grants and subsidy expenditure amounts to R10, 089,389 which are mostly spent on the 2195 Indigent Household for the subsidized free basic services provide approved Indigent Household.

2.9 Capital Grants payments amount to R 15,256,000. These amounts are mainly recognised on the income side and also on the expenditure side. Projects will be for MIG Grant, Water and Services Infrastructure Grant and Integrated National Electrification Programme Grant.

2.10 Other expenditure amounts to R 9, 390,000.

Audit Fees / AFS	R4,500,000
Insurance	R900,000
Nashua	R468,000
Fuel and Oil	R350,000
Telephone	R800,000
Subsistence and Travel	R750,000
New Vehicles	R1,000,000
Stationary	R200,000
Medical Aid Councils Contributions	R220,000
Postage	R200,000

There is a decrease in expenditure in relation to the previous year. Real Budget Austerity measures are being introduced to monitor expenditure. Proper planning must be the order of the day when it comes to spending. A collective effort must be employed to eliminate non priority spending from all stakeholders in the municipality.

Strict control mechanisms must be enforced by Budget drivers. Expenditure must be prioritized. Travelling expenses must be managed properly and only meetings that will add value to the municipality should be attended by Councillors and officials of the municipality.

The Budgeted Expenditure for 2018/2019 is R68, 567,000. This is an increased in expenditure caused by the fixed cost for bulk purchases at Eskom and the payment arrangement on outstanding fees. The MSIG doesn't make provision for the cost of the AFS as per previous years and Renosterberg Municipality will have to cover this cost.

Tariff Increments

Tariffs expected an increase for the 2018/2019 financial year set out below. These are:

- 1. Rates and Taxes**
 - Residential properties will increased by 5.50%
- 2. Electricity**
 - Basic fee will increase by 6.84%
- 3. Water**
 - Basic fee will increase by 5.50%
- 4. Sewerage and sanitation**

Renosterberg Municipality

SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY

ANNUAL BUDGET OF
Renosterberg Municipality

2018/19

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the foyers of all municipal buildings
- All public libraries within the municipality
 - At www.treasury.gov.za

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	Litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act
CFO	Chief Financial Officer	Programme	
CM	City Manager	MIG	Municipal Infrastructure Grant
CPI	Consumer Price Index	MMC	Member of Mayoral Committee
CRRF	Capital Replacement Reserve Fund	MPRA	Municipal Properties Rates Act
DBSA	Development Bank of South Africa	MSA	Municipal Systems Act
Dora	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
DWA	Department of Water Affairs	MTREF	Medium-term Revenue and Expenditure Framework
EE	Employment Equity	NERSA	National Electricity Regulator South Africa
EEDSM	Energy Efficiency Demand Side Management	NGO	Non-Governmental organisations
EM	Executive Mayor	NKPIs	National Key Performance Indicators
FBS	Free basic services	OHS	Occupational Health and Safety
GAMAP	Generally Accepted Municipal Accounting Practice	OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSRC	Human Science Research Council	PTIS	Public Transport Infrastructure System
IDP	Integrated Development Strategy	RG	Restructuring Grant
IT	Information Technology	RSC	Regional Services Council
kℓ	kilolitre	SALGA	South African Local Government Association
Km	kilometre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
KWh	kilowatt		

Part 1 – Annual Budget**1.1 Mayor's Report**

An integrated development plan and a budget are key documents in the life of a municipality. It seeks to guide both its residents and staff and to clearly set out the strategic direction of the council and how it will allocate its limited resources. The IDP document is the fourth revision of the IDP adopted in May 2017, whilst the budget is an annual document with a medium term expenditure framework for the outer years. The review process of the IDP this year focused on the following priority areas: Housing Services, Infrastructure Development, Local Economic Development, Financial Management and Public Participation. Developing an all-encompassing document of this nature and the subsequent budget is by no means an easy task and involved many hours of debate and interaction with the officials and Ward Committees. The question is frequently asked. What makes a city or town successful? One way of thinking about what makes a city or town successful is provided by the South African Cities Network, City Scorecard, which identifies four key areas in which towns need to excel in. These are: - Inclusiveness – All citizens must share in the benefits and opportunities provided;

Productive - Resources must be used effectively to generate economic benefits;

Well governed - Services must be rendered in an efficient, effective manner;

The leadership must not only effect co-operation between its local communities but also between the spheres of government;

Sustainable - Development must not cause social instability or the depletion of its natural resources

These principles must underpin all that we seek to do in order to achieve our Vision for the Renosterberg Municipality.

In tabling the IDP and Budget document I look forward to the discussion and debate that it will generate. The IDP and budget process should be seen as an enabling framework that guides our actions and the allocation of our resources. It is also a framework that will help align the actions of other stakeholders. We live in a changing world and as such the IDP and budget must always be dynamic in nature so as to ensure continuous refinement. Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Renosterberg Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the Renosterberg Municipality 2018/19 Annual Budget and MTREF MARCH 2018 little available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

1.2 Council Resolutions

On 29 May 2018 the Council of Renosterberg Municipality Local Municipality met in the Council Chambers of Renosterberg Local Municipality to consider the annual budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions:

1. The Council of Renosterberg Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management
 - 1.2.5. Basic service delivery measurement.
2. The Council of Renosterberg Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2010:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure A
 - 2.3. the tariffs for the supply of water – as set out in Annexure A
 - 2.4. the tariffs for sanitation services – as set out in Annexure A
 - 2.5. the tariffs for solid waste services – as set out in Annexure A
3. The Council of Renosterberg Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 the tariffs for other services.
4. To give proper effect to the municipality's annual budget, the Council of Renosterberg Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3. Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that Renosterberg Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Renosterberg Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Critical review was undertaken on expenditure of noncore and 'nice to have items'. Key areas where savings were realized were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

Renosterberg has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

The budget was prepared in conjunction with the MFMA circulars 70,71,72,74,75,78,79 and 82, 91 and other regulations.

IDP and linkage of IDP to budget (Capital Budget)

The current linkage of the IDP to the budget is broken down as follow:

1. Income

A. Capital Budget

1.1 Municipal Infrastructure Grant	R 7,426,000
1.2 Water Services Infrastructure Grant	R 5,500,000
1.3 Integrated National Electrification Programme Grant	R 2,000,000

1.4 EPWP	R 1,000,000
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B. Operating Budget

1. Total expected Rates Income	R 1,515,000
2. Other Levied Services budgeted Income	R12,022,000
2.1 Electricity	R 5,086,000
2.2 Water	R 2,806,000
2.3 Sewerage	R 2,235,000
2.4 Refuge	R 1,895,000
3. Fines	R 163,000
4. Licenses and permits	R 84,000
5. Rental of Facilities and equipment	R 73,000
6. Interest - External Investment	R 300,000
7. Operating Grants	R24,652,000
7.1 Equitable Share	R22,237,000
7.2 Local Government Finance Management Grant	R 2,415,000
8. Other Budgeted Revenue	R 1,530,000

9. The total Budget Revenue (Income) for the 2018/2019 financial year is R 56,947,000. It consists out of:

9.1 Capital Grants:	R15,526,000
9.2 Operating Grants:	R25,733,000
9.3 Own Generated Income	R15,688,000

There is a decrease in the total budgeted income in relation to the previous year due to:

- Operational Grant decreased by R 3,346,000.
- The decrease in MIG grant. The Construction of the Waste water treatment plant is in its final stage.
- The MIG Grant reduces by R 8,101,000.

2. Expenditure

2.1 Salary and Wages

- The total salaries and social contribution for the year amounts to R 19,199,000.
- Annual increase of 7% has been provided as the Collective Wage Agreement has not yet been finalized by SALGBC.
- The total Salary package includes the salary of all the current personnel and the vacant position of senior management.
- The salary budget needs to be monitored as we must really assess the current staff and positions.
- The salary percentage to the Operating Budget is 47% and to the total capital and operating budget it is 34%.

2.2 Councillor Remuneration

- Councillor remuneration amounts for R2, 914,000.
- Councillor remuneration has been provided a 7% increase on the current Public Officers Bearers Act, dated December 2017.
- The councillor remuneration percentage to the capital and operational budget is 5%.

The total salaries and wages, social contributions and councillor remuneration is 39% in relation to the total Capital and operating budget.

2.3 Provision for Bad debts is R 5,711,000.

2.4 Depreciation estimated at R 20,000,000.

2.5 Bulk purchases for electricity are fixed at R 9,231,000 which includes the repayment amount for arrears at Eskom.

2.6 Contracted Services costs are budgeted for Legal Fees at R 566,000. (Majila and Partners Attorneys)

2.7 Finance Charges are R 152, 000.

2.8 Operating Grants and subsidy expenditure amounts to R10, 089,389 which are mostly spent on the 2195 Indigent Household for the subsidized free basic services provide approved Indigent Household.

2.9 Capital Grants payments amount to R 15,256,000. These amounts are mainly recognised on the income side and also on the expenditure side. Projects will be for MIG Grant, Water and Services Infrastructure Grant and Integrated National Electrification Programme Grant.

2.10 Other expenditure amounts to R 9,390,000.

• Audit Fees / AFS	R4,500,000
• Insurance	R900,000
• Nashua	R468,000
• Fuel and Oil	R350,000
• Telephone	R800,000
• Subsistence and Travel	R750,000
• New Vehicles	R1,000,000
• Stationary	R200,000
• Medical Aid Councils Contributions	R220,000
• Postage	R200,000

There is a decrease in expenditure in relation to the previous year. Real Budget Austerity measures are being introduced to monitor expenditure. Proper planning must be the order of the day when it comes to spending. A collective effort must be employed to eliminate non priority spending from all stakeholders in the municipality. Strict control mechanisms must be enforced by Budget drivers. Expenditure must be prioritized. Travelling expenses must be managed properly and only meetings that will add value to the municipality should be attended by Councillors and officials of the municipality.

The Budgeted Expenditure for 2018/2019 is R68, 567,000. This is an increased in expenditure caused by the fixed cost for bulk purchases at Eskom and the payment arrangement on outstanding fees. The MSIG doesn't make provision for the cost of the AFS as per previous years and Renosterberg Municipality will have to cover this cost.

Tariff Increments

Tariffs expected an increase for the 2018/2019 financial year set out below. These are:

1. Rates and Taxes
 - Residential properties will increase by 5.50%
2. Electricity
 - Basic fee will increase by 6.84%
3. Water
 - Basic fee will increase by 5.50%
4. Sewerage and sanitation

- Tariffs increased by 5.50%
- 5. Refuse removal**
- Tariffs increased by 5.50%
- 6. All other secondary tariffs**
- Tariffs increased by 5.50%

Indigent households

A total of 2195 indigent households are expected to receive subsidized services every month. The subsidized services include:

1	50 kWh of electricity	R 81,62
2	Water	R125,45
3	Monthly sewerage	R95,77
4	Monthly refuse removal	R80,28
Total monthly subsidized services to Indigent		R383,12

Please note: Free Basic services amounts exclude Value Added Tax (VAT).
The re-application of all Indigent Households for subsidized services can continue and be process in the 2017/2018 financial year. The process needs to be completed by end of June 2018 in order to update our records and registers annually. Auditors are auditing the application process very intensively.

Conclusion

The recovery and collection for municipal services will depend on the strategy of this budget. If consumers do not pay for their municipal accounts timeously it will affect service delivery as a whole.

The 2018/2019 budget is a budget to make services affordable to all consumers. It is a plan to implement the cross-cutting of expenditure. The budget testifies of the continuation with development agenda to expand the infrastructure to new and higher levels. It also aims to continue with the creation of jobs, fighting poverty and most of all ensure that we invest in infrastructure assets of Renosterberg Municipality.

The inflationary increases of tariffs are mainly focused on affordability and to ensure that we generated all revenue as budgeted for. Hence the low increment of operating expenditure and expenditure control that will be sharpened over the next financial year.

The Council committed to create a conclusive environment for investors to invest in the economy of Renosterberg Municipality cannot be underestimated. The various economic initiatives are testimony of Council's commitment and ability to ensure that we continue with the objective of the National Development Plan.

The budget is prepared under the principles of revenue collection. Sustainable service delivery still takes precedence in this final budget.

1.4. Operating Revenue Framework

For Renosterberg Municipality to improve its services to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty and socio economic conditions that affect rural areas. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenue.

The municipality's revenue strategy is built around the following key components:

- National Treasury Guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;

- Efficient revenue management which aims to ensure a 40% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover cost;
- The municipality Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality
- The recovering of outstanding arrears by dedicated staff with only recovering of outstanding debt as responsibility.

Table 1 Summary of revenue classified by main revenue source:

NC075 Renosterberg - Table A4 Budgeted Financial Performance (revenue and expenditure)		2018/19 Medium Term Revenue & Expenditure Framework		
Description	R thousand	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source				
Property rates		1,515	1,637	1,751
Service charges - electricity revenue		5,086	4,757	5,090
Service charges - water revenue		2,806	3,058	3,272
Service charges – refuse revenue		1,895	2,065	2,209
Service charges - sanitation revenue		2,231	2,431	2,601
Service charges - other				
Rental of facilities and equipment		73	78	84
Interest earned - external investments		300	300	300
Interest earned - outstanding debtors				
Dividends received				
Fines, penalties and forfeits		163	167	168

Licences and permits	84	91	97
Agency services			
Transfers and subsidies	25,733	28,296	30,699
Other revenue	1,530	1,620	1,733
Gains on disposal of PPE			
Total Revenue (excluding capital transfers and contributions)	41,421	44,500	48,004

Table 2 Percentage growth in revenue by main revenue source

NC075 Renosterberg - Table A4 Budgeted Financial Performance (revenue and expenditure)			2018/19 Medium Term Revenue & Expenditure Framework				
Description	R thousand	Pre - Audit outcome 2017/2018	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Budget Year +3 2021/22	
Revenue By Source							
Property rates	1,420	6.84%	1,515	8%	1,637	7%	1,751
Service charges - electricity revenue	4,099	6.84%	4,384	8%	4,757	7%	5,090
Service charges - water revenue	2,660	6.84%	2,806	9%	3,058	7%	3,272
Service charges - refuse revenue	1,796	6.84%	1,895	9%	2,065	7%	2,209
Service charges - sanitation revenue	2,115	6.84%	2,231	9%	2,431	7%	2,601
Service charges - other	-	-	-	-	-	-	-
Rental of facilities and equipment	90	23.00 %	73	6%	78	8%	84
Interest earned - external investments	-	300.00 %	300	100%	300	100%	300
Interest earned - outstanding debtors	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-
Fines, penalties and forfeits	12	1358.0 0%	163	2%	167	1%	168
Licences and permits	-	100.00 %	84	8%	91	7%	97
Agency services	58	-	-	-	-	-	-
Transfers and subsidies	27,817	8.00%	25,733	9%	28,296	9%	30,699
Other revenue	-	1530.0 0%	1,530	5%	1,620	6%	1,733
Gains on disposal of PPE	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	40,067	1.85%	41,421	9.33%	44,500	7.81%	48,004

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than twenty percentage of the total revenue mix. In the 2018/19 financial year, revenue from rates and services charges totalled R12Mill or 22.9 per cent. This increases to R14Mill and R15Mill in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 6.84 per cent in 2018/19 to 8.75 per cent in 2019/20 and to 7.01 per cent in 2020/21. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

The largest source of income is generated from Electricity which totals R 4,384 Mill. Water is the second largest revenue source totaling 21.99 per cent or R 2,844 Mill and increases to R 3,322 Million in 2020/21. The third largest source is Sanitation

Revenue and it is followed by Property rates. The other revenue which consists out of various items such as income received from the Resort, Income received from permits and licenses, connection fees etc. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R25, 733 million in the 2018/19 financial year and steadily increases to R30, 699 Mill by 2020/21. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

NC075 Renosterberg – Supporting Table SA18 Transfers and grant receipts			
Description	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand			
RECEIPTS:			
Operating Transfers and Grants			
National Government:	25,073	27,636	30,039
Local Government Equitable Share	22,237	24,382	26,345
Finance Management	2,415	2,880	3,312
Municipal Infrastructure Grant (MIG)	371	374	382
epwp	50		
Provincial Government:	660	660	660
LIBRARY GRAND	660	660	660
Other transfers/grants [insert description]			
District Municipality:	-	-	-
[insert description]			
Other grant providers:	-	-	-
[insert description]			
Total Operating Transfers and Grants	25,733	28,296	30,699

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the City's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market Value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). 18 per cent rebate will be granted on all agricultural properties but must be applied for before 2018 as per rates policy.
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy.
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a per cent increase(decrease) from 1 July 2018 is contained below:

Table 4 Comparison of proposed rates to levy for the 2017/18 financial year

PROPERTY RATES	Current Tariff	Proposed Tariff from the 1 July 2018
Residential	0.007518288	0.008032539
Municipal	0.007483338	0.007995198
Farms	0.001870523	0.001998467
Government	0.009021953	0.009639055
Religious Organization	0.011889349	0.012702580
Business	0.009801538	0.010471963

Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (Indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Renosterberg Municipality will increase its bulk tariffs with 6,84 per cent from 1 July 2018.

Rand Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Renosterberg Municipality's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to upgrade infrastructure, hence the increase in the cost of water.

A tariff increase of 5,50 per cent from 1 July 2011 for water is proposed. This is based on input cost assumptions of between 6 to 15 per cent increase in cost of bulk water to the water farmers. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows (these tariffs are exclusive of Vat):

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS	PROPOSED TARIFFS
	2017/18 Rand per kℓ	2018/19 Rand per kℓ
RESIDENTIAL		
(i) Basic Fee	41.27	43.53
(ii) 0 to 6 kℓ per 30-day period	4.84	5.10
(iii) 7 to 20 kℓ per 30-day period	5.78	6.09
(iv) 21 to 50 kℓ per 30-day period	6,55	6,91
(v) 51 to 150 kℓ per 30-day period	7,29	8,09
(vi) More than 150 kℓ per 30-day period:	8,21	8,66
NON-RESIDENTIAL		
(i) Basic Fee	178,85	188,65
(ii) 0 to 6 kℓ per 30-day period	4.84	5.08
(iii) 6 to 20 kℓ per 30-day period	5.78	6.09
(iv) 20 to 50 kℓ per 30-day period	6,55	6,91
(v) 50 to 150 kℓ per 30-day period	7,29	7,69
(vi) More than 150 kℓ per 30-day period:	8,21	8,66

The following table shows the impact of proposed increase in water tariffs on water charges for a single dwelling house:
(Excluding VAT)

Table 6 Comparison of proposed rates to be levied for the 2018/19 financial year

Monthly consumption kℓ	Current amount payable R	Proposed amount Payable R	Difference (Increase)	Percentage change
Basic Fee	41,27	43,54	2,27	5,50%
6	14,25	15,03	0,78	5,50%
15	77,4	81,64	4,24	5,50%
30	146,40	154,45	8,05	5,50%
45	170,07	179,42	9,35	5,50%
51	71,76	75,70	3,94	5,50%
100	627,69	662,21	34,52	5,50%

The tariff structure of the 2018/19 has changed compared to that of 2017/18. The tariff structure is still designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R13,87 per kilolitre for consumption in of 65kl per 30 day period.

Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2018.

Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers: (excluding VAT)

It should further be noted that Renosterberg Municipality implemented the IBT as required by Nersa. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). Renosterberg Municipality has implemented the Incline Block Tariff (IBT) structure since 01 July 2015.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner city reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

Sanitation and Impact of Tariff Increases

A tariff increase of 5.50 per cent for sanitation from 1 July 2018 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

- Free sanitation will be applicable to registered indigents; and
- The network extension and upgrade of exiting purification plants will impact on tariffs over the MTEF period.
- The Total revenue expected to be generated from rendering services amounts to R2,265 million for the 2018/19 financial year.

The following table compares the current and proposed tariffs including Vat:

Table 8 Comparison between current sanitation charges and increases

Category	Current Tariff 2017/2018	Proposed Tariff 2018/19
Residential Households	125,92	132,84
Business	171,08	180,48
Government	171,08	180,48

Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6.84 per cent increase in the waste removal tariff is proposed from 1 July 2018. Higher increases will not be viable in 2018/19 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2018 including VAT:

Table 9 Comparison between current waste removal fees and increases

Category	Current Tariff 2017/2018	Proposed Tariff 2018/19
Residential	53,45	56,38
Business	136,21	143,70
Government	136,21	143,70
School	117,99	124,47
Old Age Home	117,99	124,47
Garden refuse	398,90	420,83
Load Garden Refuse - Bakkie	278,30	293,60
Truck	463,84	489,35

Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services

Table 10 MBRR Table SA14 – Household bills**NC075 Renosterberg - Supporting Table SA14 Household bills**

Description	Ref	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Rand/cent				
Monthly Account for Household - 'Middle Income Range'	1			
Rates and services charges:				
Property rates		346.86	369.06	128,014.77
Electricity: Basic levy		100.15	106.56	10,672.86
Electricity: Consumption		1,317.32	1,401.63	1,846,385.16
Water: Basic levy		31.92	33.96	1,084.10
Water: Consumption		135.79	144.48	19,618.34
Sanitation		97.39	103.62	10,091.41
Refuse removal		41.34	43.98	1,818.05
Other		–	–	–
	sub-total	2,070.77	2,203.30	2,017,684.70
VAT on Services				
Total large household bill:		2,070.77	2,203.30	2,017,684.70
% increase/-decrease		6.4%	6.4%	91,475.7%
Monthly Account for Household - 'Affordable Range'	2			
Rates and services charges:				
Property rates		255.68	254.72	60,980.35
Electricity: Basic levy		106.96	106.56	10,672.86
Electricity: Consumption		557.54	593.22	330,740.56
Water: Basic levy		31.92	33.96	1,084.10
Water: Consumption		110.41	117.48	12,970.85
Sanitation		97.39	103.62	10,091.41
Refuse removal		41.34	43.98	1,818.05
Other				
	sub-total	1,201.24	1,253.55	428,358.19
VAT on Services				
Total small household bill:		1,201.24	1,253.55	428,358.19
% increase/-decrease		8.5%	4.4%	34,071.7%

1.5 Operating Expenditure Framework

Renosterberg Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification item

Description	Ref	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1			
Expenditure By Type	-			
Employee related costs	2	19,199	20,271	21,692
Remuneration of councilors		2,914	3,118	3,337
Debt impairment	3	5,711	6,110	6,538
Depreciation & asset impairment	2	20,000	20,000	20,000
Finance charges		152	162	174
Bulk purchases	2	9,231	10,923	12,182
Other materials	8	1,405	1,487	1,591
Contracted services		566	605	648
Transfers and subsidies		-	-	-
Other expenditure	4, 5	9,390	8,735	9,046
Loss on disposal of PPE				
Total Expenditure		68,567	71,412	75,207

The budgeted allocation for employee related costs for the 2018/19 financial year totals R19, 199 Mill which equals 28 per cent of the total operating expenditure. Salary budget increases for the next Financial Year will be provided for at an estimated level of at 7 per cent since salary negotiations are still not finalised. We are waiting on the final SALGBC circular in this regard. As part of the Renosterberg Municipality cost re prioritization and cash management strategy vacancies only departmental prioritization of critical vacancies within the Municipality has been budgeted for. In addition expenditure against overtime must significantly be managed to reduced costs, with provisions against this budget item only being provided for essential services and other critical functions. The cost associated with remunerations of councillors is determined by the Minister of Co-operative Governance and Traditional affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality budget.

The provision for debt impairment was based on an annual collection and the debt Write-off Policy of the Municipality. For the 2018/19 financial year this amounts equates to R5, 711 Mill and escalates to R6, 538 Mill in 2020/21. While this expenditure is considered to be a non-cash item it informed the total cost associate with rendering the services of the municipality as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total of R20, 000 Mill for the 2018/19 financial year. Note that the implementation of GRAP 17 accounting standard has

meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.22 per cent (R152 thousand) of operating expenditure excluding annual redemption for 2018/19 and increases to R174 thousand by 2020/21.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Farmers in the municipal boundaries. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality infrastructure.

Contracted services have been identified as a cost saving area for the Municipality. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2018/19 financial year, this group of expenditure totals R 566 thousand and has decreased since last year. For the two out years growth has been limited to 6 per cent. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

Other expenditure comprises of various line items relating to the daily operations of the municipality. For the financial year of 2018/19 Provision for the AFS (Compiling of the Financial Statements for 2017/18) has been made hence the increase in this group of expenditure for 2018/19. Growth has been limited to 2 per cent for 2019/20 and 2020/21 indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBR SA1

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 12 Operational repairs and maintenance

Description R thousand	2018/19 Medium Term Revenue & Expenditure		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Repair and Maintenance by expenditure items			
Other materials	1,405	1,405	1,405
Contracted services	566	605	648
Total Repair and Maintenance Expenditure	1,970	2,010	2,052

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially decreasing, from R2, 691 Million to R 1,970 Million. In relating to the total operating expenditure, repairs and maintenance comprises of 3, 1 / 3, 08 / 2, 9 per cent for the respective financial years of the MTREF.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Policy. The target is to register 1000 or more indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 13 2018/19 Medium-term capital budget per vote

Vote Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Capital Expenditure - Functional</u>			
<i>Governance and administration</i>			
Executive and council			
Finance and administration			
Internal audit			
<i>Community and public safety</i>			
Community and social services			
Sport and recreation			
Public safety			
Housing			
Health			
<i>Economic and environmental services</i>	8,426	7,480	7,630
Planning and development			
Road transport	8,426	7,480	7,630
Environmental protection			
<i>Trading services</i>	7,500	1,920	3,200
Energy sources	2,000	1,920	3,200
Water management	5,500		
Waste water management			
Waste management			
<i>Other</i>			
Total Capital Expenditure - Functional	15,926	9,400	10,830
Funded by:			
National Government	15,926	9,400	10,830
Provincial Government			
District Municipality			
Other transfers and grants			
Transfers recognised - capital	15,926	9,400	10,830
Public contributions & donations			
Borrowing			
Internally generated funds			
Total Capital Funding	15,926	9,400	10,830

For 2018/19 an amount of R15.926 Million has been appropriated for the development of infrastructure. In the outer years this amount totals R9, 400 Million and R10, 830 Million respectively for each of the financial years. Roads and Transport receives the highest allocation of R8, 426 million in 2018/12 followed by Water Management at R5.500 Million. Roads will receive the highest allocation in 2019/20 as well as in 2020/2021; this will amount to R7, 480 Million and R7, 630 Million.

2.7 Overview of budget funding

2.7.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 27 Breakdown of the operating revenue over the medium-term

The following graph is a breakdown of the operational revenue per main category for the 2018/19 financial year.

NC075 Renosterberg - Table A4 Budgeted Financial Performance (revenue and expenditure)			2018/19 Medium Term Revenue & Expenditure Framework							
R thousand	Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget			
Revenue By Source										
Property rates	2	2,911	3,120	—	—	4,469	1,420	1,515	1,637	1,751
Service charges - electricity revenue	2	5,992	5,524	—	—	6,187	4,099	4,384	4,757	5,090
Service charges - water revenue	2	3,202	3,845	—	—	1,867	2,660	2,804	3,058	3,272
Service charges - sanitation revenue	2	1,469	1,772	—	—	1,858	1,795	1,893	2,065	2,209
Service charges - refuse revenue	2	970	1,157	—	—	1,319	2,115	2,231	2,431	2,601
Service charges - other							—	—	—	—
Rental of facilities and equipment		814	400			193	90	73	78	84
Interest earned - external investments		141	267				—	300	300	300
Interest earned - outstanding debtors		—	—				—	—	—	—
Dividends received		—	—				—	—	—	—
Fines, penalties and forfeits		2	0			13	12	163	167	168
Licences and permits		1	0			1	—	84	91	97
Agency services		17	—			79	58	—	—	—
Transfers and subsidies		29,008	49,757			29,079	27,817	25,733	28,296	30,699
Other revenue	2	3,095	15	—	—	68	—	1,530	1,620	1,733
Gains on disposal of PPE						1,070	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		47,622	65,857	—	—	46,203	40,068	40,710	44,500	46,004
Expenditure By Type										
Employee related costs	2	15,027	16,010	—	—	16,310	15,727	19,718	20,271	21,692
Remuneration of councilors		2,096	1,969	—	—	2,466	2,709	2,914	3,118	3,337
Debt impairment	3	(2,221)	8,536	—	—	794	794	5,711	6,110	6,538
Depreciation & asset impairment	2	22,932	22,374	—	—	1,464	1,464	20,009	20,000	20,000
Finance charges		3,834	6,773	—	—	525	147	152	162	174
Bulk purchases	2	8,829	9,946	—	—	13,282	5,874	9,231	10,923	12,182
Other materials	8	2,309	648	—	—	538	1,101	1,405	1,487	1,591
Contracted services		3,484	4,465	—	—	66	1,590	566	605	648
Transfers and subsidies		—	—	—	—	5,600	5,345	—	—	—
Other expenditure	4,5	6,745	8,368	—	—	5,166	5,318	9,390	8,735	9,046
Loss on disposal of PPE						—	—	—	—	—
Total Expenditure		63,035	79,089	—	—	46,212	40,068	69,087	71,412	75,207
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(15,413)	(13,231)	—	—	(9)	(1)	(28,377)	(26,913)	(27,203)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)			13,410					15,526	9,026	10,449
Transfers and subsidies - capital (in-kind - all)	6	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		(2,003)	(13,231)	—	—	(9)	(1)	(12,851)	(17,887)	(16,755)
Taxation										
Surplus/(Deficit) after Taxation		(2,003)	(13,231)	—	—	(9)	(1)	(12,851)	(17,887)	(16,755)
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		(2,003)	(13,231)	—	—	(9)	(1)	(12,851)	(17,887)	(16,755)
Share of surplus/ (deficit) of associate	7									
Surplus/(Deficit) for the year		(2,003)	(13,231)	—	—	(9)	(1)	(12,851)	(17,887)	(16,755)

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as

water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2018/19 MTREF on the different revenue categories are:

Table 28 Proposed tariff increases over the medium-term

Revenue category	2018/19 proposed tariff increase	2019/20 proposed tariff increase	2020/21 proposed tariff increase
	%	%	%
Property rates	6,84	6,84	6,84
Sanitation	5,50	5,50	5,50
Solid Waste	5,50	5,50	5,50
Water	5,50	5,50	5,50
Electricity	6,84	6,85	6,86

Revenue to be generated from property rates is R1, 515 Million in the 2018/19 financial year and increases to R1,637 Million by 2019/20 which represents 3,7 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Operational grants and subsidies amount to R 25,733, R28, 296 and R30, 699 Million for each of the respective financial years of the MTREF, 63,05, 63,42 and 63, 78 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are changing over the MTREF.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R300 Thousand for the respective three financial years of the 2018/19 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

2.7.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

Table 29 Sources of capital revenue over the MTREF

Vote Description R thousand	Ref 1	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funded by:				
National Government		15,926	9,400	10,830
Provincial Government				
District Municipality				
Other transfers and grants				
Transfers recognised - capital	4	15,926	9,400	10,830
Public contributions & donations	5			
Borrowing	6			
Internally generated funds				
Total Capital Funding	7	15,926	9,400	10,830

Sources of capital revenue for the 2018/19 financial year

Capital grants and receipts equates to 38 per cent of the total funding source which represents R15,926 Million for the 2018/19 financial year and decrease to R10,830 Million by 2020/21.

Table 30 MBRR Table SA 18 - Capital transfers and grant receipts**NC075 Renosterberg - Supporting Table SA18 Transfers and grant receipts**

Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Operating Transfers and Grants</u>			
National Government:	25,073	27,636	30,039
Local Government Equitable Share	22,237	24,382	26,345
Finance Management	2,415	2,880	3,312
Municipal Infrastructure Grant (MIG)	371	374	382
epwp	50		
Provincial Government:	660	660	660
LIBRARY GRAND	660	660	660
Total Operating Transfers and Grants	25,733	28,296	30,699
<u>Capital Transfers and Grants</u>			
National Government:	15,505	9,026	10,448
Municipal Infrastructure Grant (MIG)	7,055	7,106	7,248
Water Services Operating Subsidy	5,500		
EPWP Incentive	950		
Integrated National Electrification Programme	2,000	1,920	3,200
Other capital transfers/grants [insert desc]			
Other grant providers: [insert description]	-	-	-
Total Capital Transfers and Grants	15,505	9,026	10,448
TOTAL RECEIPTS OF TRANSFERS & GRANTS	41,238	37,322	41,147

2.7.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understand ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 31 MBRR Table A7 - Budget cash flow statement

NC075 Renosterberg - Table A7 Budgeted Cash Flows

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates		1,659	1,883	-	11,607	4,469	606	655	700
Service charges		6,614	8,591	-	354	11,607	4,565	4,971	5,319
Other revenue			3,293	-	29,079	354	1,498	1,632	1,822
Government - operating	1	20,660	22,061	-	24,027	29,079	25,733	28,296	30,699
Government - capital	1	13,009	9,890	-	-	24,027	15,926	9,400	10,830
Interest		141	371	-	-	-	300	300	300
Dividends				-	-	-	-	-	-
Payments									
Suppliers and employees		(15,095)	(40,898)	-	(38,196)	(38,196)	(42,705)	(34,140)	(33,495)
Finance charges		(3,834)	(1,573)	-	(525)	(525)	(152)	(162)	(174)
Transfers and Grants	1		(2,475)	-	(5,600)	(5,600)	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		23,154	1,143	-	20,745	25,214	5,772	10,952	16,001
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE							-	-	-
Decrease (Increase) in non-current debtors							-	-	-
Decrease (Increase) other non-current receivables							-	-	-
Decrease (increase) in non-current investments							-	-	-
Payments									
Capital assets		(23,224)	(9,890)	-	(24,027)	(21,027)	(15,926)	(9,050)	(10,480)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(23,224)	(9,890)	-	(24,027)	(21,027)	(15,926)	(9,050)	(10,480)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans							-	-	-
Borrowing long term/refinancing							-	-	-
Increase (decrease) in consumer deposits							-	-	-
Payments							-	-	-
Repayment of borrowing		(234)					-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(234)	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(304)	(8,747)	-	(3,282)	4,187	(10,154)	1,902	5,521
Cash/cash equivalents at the year begin:	2	1,080					-	(10,154)	(8,252)
Cash/cash equivalents at the year end:	2	776	(8,747)	-	(3,282)	4,187	(10,154)	(8,252)	(2,731)

2.7.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 32 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

NC075 Renosterberg - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available									
Cash/cash equivalents at the year end	1	776	(8,747)	—	(3,282)	4,187	(10,154)	(8,252)	(2,731)
Other current investments > 90 days		0	8,998	—	3,702	(3,482)	10,254	8,358	2,843
Non current assets - Investments	1	—	—	—	—	—	—	—	—
Cash and investments available:		776	251	—	420	705	100	106	112
Application of cash and investments									
Unspent conditional transfers		—	—	—	—	—	—	—	—
Unspent borrowing		—	—	—	—	—	—	—	—
Statutory requirements	2	—	—	—	—	—	—	—	—
Other working capital requirements	3	120,203	59,502	—	(94,455)	(27,871)	42,630	45,073	47,446
Other provisions	4	—	—	—	—	—	—	—	—
Long term investments committed	5	—	—	—	—	—	—	—	—
Reserves to be backed by cash/investments		120,203	59,502	—	(94,455)	(27,871)	42,630	45,073	47,446
Total Application of cash and investments:		(119,427)	(59,251)	—	94,875	28,576	(42,530)	(44,967)	(47,333)
Surplus(shortfall)									

From the above table it can be seen that the cash and investments available total -R10, 154 Million in the 2018/19 financial year and progressively decrease to -R2, 731 Million by 2020/21, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2013/14 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants.

There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2018/19 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

2.7.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 33 MBRR SA10 – Funding compliance measurement

NC075 Renosterberg Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures										
Cash/cash equivalents at the year end - R'000	18(1)b	1	776	(8,747)	-	(3,282)	4,187	(10,154)	(8,252)	(2,731)
Cash + investments at the yr end less applications - R'000	18(1)b	2	(119,427)	(59,251)	-	94,875	28,576	(42,530)	(44,997)	(47,333)
Cash year end/monthly employee/supplier payments	18(1)b	3	0.3	(2.0)	-	(1.1)	1.7	(2.9)	(2.2)	(0.7)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(2,003)	(13,231)	-	(9)	(1)	(12,750)	(17,770)	(16,829)
Service charge rev % change - macro CPI/X target exclusive	18(1)a,(2)	5	N.A.	0.0%	(106.0%)	(0.0%)	(29.0%)	0.9%	2.0%	1.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	44.8%	86.9%	0.0%	255.8%	134.1%	45.1%	45.3%	45.8%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	(15.3%)	55.4%	0.0%	5.1%	6.6%	44.2%	43.4%	43.4%
Capital payments % of capital expenditure	18(1)c;19	8	173.2%	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10						0.0%	0.0%	0.0%
Current consumer debtors % change - Incr/(decr)	18(1)a	11	N.A.	(4.1%)	(100.0%)	0.0%	3.1%	7.3%	6.0%	6.0%
Long term receivables % change - Incr/(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.7.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2018/19 MTREF shows -R, R10, 154 million, -R8,252 million and -R2,731 million for each respective financial year.

2.7.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.7.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

2.7.5.4 Surplus/deficit excluding depreciation offsets

The purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation

taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2018/19 MTREF the indicative outcome is a deficit of R12, 750 million, R17, 770 million and R16, 629 million.

2.7.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 percent). The result is intended to be an approximation of the real increase in revenue. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 6,84 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.7.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 45.1, 45.3 and 45.8 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 45.1 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

2.7.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 44.2, 43.4 and 43.4 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.7.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.7.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

2.7.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

2.7.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the City's policy of settling debtor's accounts within 30 days.

2.7.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality strategy pertaining to asset management and repairs and maintenance are contained in Table 60 MBRR SA34C.

2.7.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

2.8 Expenditure on grants and reconciliations of unspent funds

Table 34 MBRR SA19 - Expenditure on transfers and grant programmes

NC075 Renosterberg - Supporting Table SA19 Expenditure on transfers and grant programme			
Description R thousand	2018/19 Medium Term Revenue & Expenditure Framework		
	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE:			
Operating expenditure of Transfers and Grants			
National Government:	25,073	27,636	30,039
Local Government Equitable Share	22,237	24,382	26,345
Finance Management	2,415	2,880	3,312
Municipal Infrastructure Grant (MIG)	371	374	382
epwp	50		
Other transfers/grants [insert description]			
Provincial Government:	460	660	660
LIBRARY GRAND	460	660	660
Other transfers/grants [insert description]			
District Municipality:	-	-	-
[insert description]			
Other grant providers:	-	-	-
[insert description]			
Total operating expenditure of Transfers and Grants:	25,533	28,296	30,699
Capital expenditure of Transfers and Grants			
National Government:	15,555	9,026	10,448
Municipal Infrastructure Grant (MIG)	7,055	7,106	7,248
Water Services Operating Subsidy	5,500		
EPWP Incentive	1,000		
Integrated National Electrification Programme	2,000	1,920	3,200
Other capital transfers/grants [insert desc]			
Provincial Government:	-	-	-
Other capital transfers/grants [insert description]			
District Municipality:	-	-	-
[insert description]			
Other grant providers:	-	-	-
[insert description]			
Total capital expenditure of Transfers and Grants	15,555	9,026	10,448
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	41,088	37,322	41,147

Table 35 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

NC075 Renosterberg - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds		Ref	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
Description	R thousand		Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Operating transfers and grants:		1,3					
National Government:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
Provincial Government:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
District Municipality:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
Other grant providers:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
Total operating transfers and grants revenue			-	-	-	-	-
Total operating transfers and grants - CTBM	2		-	-	-	-	-
Capital transfers and grants:		1,3					
National Government:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
Provincial Government:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
District Municipality:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
Other grant providers:							
Balance unspent at beginning of the year							
Current year receipts							
Conditions met - transferred to revenue			-	-	-	-	-
Conditions still to be met - transferred to liabilities							
Total capital transfers and grants revenue			-	-	-	-	-
Total capital transfers and grants - CTBM	2		-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE			-	-	-	-	-
TOTAL TRANSFERS AND GRANTS - CTBM			-	-	-	-	-

2.9 Councillor and employee benefits

Table 36 MBRR SA22 - Summary of councillor and staff benefits

NC075 Renosterberg - Supporting Table SA22 Summary councillor and staff benefits										
Summary of Employee and Councillor remuneration R thousand	Ref	2014/15		2015/16		2016/17		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
Councillors (Political Office Bearers plus Other)	1	A	B	C	D	E	G	H	I	
Basic Salaries and Wages		1,344	2,257	1,676	1,760		2,268	2,427	2,597	
Pension and UIF Contributions		13	17	158						
Medical Aid Contributions		—	87							
Motor Vehicle Allowance		336	265	516	516		488	522	559	
Cellphone Allowance		94	61		165		158	168	181	
Housing Allowances		—								
Other benefits and allowances		—								
Sub Total - Councillors		1,787	2,687	2,360	2,441	—	2,914	3,118	3,337	
% Increase	4		50.3%	(12.5%)	3.9%	(100.0%)	—	7.0%	7.0%	
Senior Managers of the Municipality	2						600	642	687	
Basic Salaries and Wages		2,227	1,200	1,124	472					
Pension and UIF Contributions		290	3	4	48					
Medical Aid Contributions		—	34	42						
Overtime		—								
Performance Bonus		127		57	60					
Motor Vehicle Allowance	3	—	—							
Cellphone Allowance	3	—	—							
Sub Total - Senior Managers of Municipality		2,659	1,237	1,231	584	—	600	642	687	
% Increase	4		(53.5%)	(0.5%)	(52.6%)	(100.0%)	—	7.0%	7.0%	
Other Municipal Staff							13,209	14,461	15,475	
Basic Salaries and Wages							2,290	2,451	2,622	
Pension and UIF Contributions							467	504	539	
Medical Aid Contributions							609	651	697	
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		—	—	—	—	—	16,622	18,117	19,388	
% Increase	4		—	—	—	—	—	9.0%	7.0%	
Total Parent Municipality		4,446	3,923	3,581	3,025	—	20,136	21,877	23,411	
			(11.8%)	(8.7%)	(15.3%)	(100.0%)	—	8.6%	7.0%	
Sub Total - Board Members of Entities		—	—	—	—	—	—	—	—	
% Increase	4		—	—	—	—	—	—	—	
Sub Total - Senior Managers of Entities		—	—	—	—	—	—	—	—	
% Increase	4		—	—	—	—	—	—	—	
Sub Total - Other Staff of Entities		—	—	—	—	—	—	—	—	
% Increase	4		—	—	—	—	—	—	—	
Total Municipal Entities		—	—	—	—	—	—	—	—	
TOTAL SALARY, ALLOWANCES & BENEFITS		4,446	3,923	3,581	3,025	—	20,136	21,877	23,411	
% Increase	4		(11.8%)	(8.7%)	(15.5%)	(100.0%)	—	8.6%	7.0%	
TOTAL MANAGERS AND STAFF	5,7	2,659	1,237	1,231	584	—	17,222	18,759	20,074	

Table 37 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

NC075 Renosterberg - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)								
Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.					2.
Councillors	3							
Speaker	4		744,214		193,902			938,116
Chief Whip			287,877		88,513			376,390
Executive Mayor								—
Deputy Executive Mayor								—
Executive Committee								—
Total for all other councillors			1,236,354		363,541			1,599,895
Total Councillors	8	—	2,268,445	—	645,956	—	—	2,914,401
Total Senior Managers of the Municipality	8,10	—	—	—	—	—	—	—
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	—	2,268,445	—	645,956	—	—	2,914,401

Table 38 MBRR SA24 – Summary of personnel numbers

NC075 Renosterberg - Supporting Table SA24 Summary of personnel numbers							
Number	Ref	Current Year 2017/18			Budget Year 2018/19		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities							
Councillors (Political Office Bearers plus Other Councillors)	4	7		7	7		7
Board Members of municipal entities	5						
Municipal employees	3	1			1		
Municipal Manager and Senior Managers	7						
Other Managers							
Professionals							
Finance							
Spatial/Town planning							
Information Technology							
Roads							
Electricity							
Water							
Sanitation							
Refuse							
Other							
Technicians							
Finance							
Spatial/Town planning							
Information Technology							
Roads							
Electricity							
Water							
Sanitation							
Refuse							
Other							
Clerks (Clerical and administrative)							
Service and sales workers							
Skilled agricultural and fishery workers							
Craft and related trades							
Plant and Machine Operators							
Elementary Occupations							
TOTAL PERSONNEL NUMBERS	9	8	95	8	8	95	8
% Increase		-	-	-	-	-	-
Total municipal employees headcount	6, 10						
Finance personnel headcount	8, 10						
Human Resources personnel headcount	8, 10						

2.10 Monthly targets for revenue, expenditure and cash flow

Table 39 MBRR SA25 - Budgeted monthly revenue and expenditure

NC075 Renosterberg - Supporting Table SA25 Budgeted monthly revenue and expenditure													Medium Term Revenue and Expenditure Framework			
Rheunend	Ref	Budget Year 2018/19											Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
		July	August	Sep.	October	November	December	January	February	March	April	May				
Revenue By Source																
Property/rates	128	128	128	128	128	128	128	128	128	128	128	113	1,515	1,637	1,761	
Service charges - electricity revenue	369	369	369	369	369	369	369	369	369	369	369	325	4,384	4,757	5,090	
Service charges - water revenue	239	239	239	239	239	239	239	239	239	239	239	210	2,844	3,105	3,322	
Service charges - sanitation revenue	191	191	191	191	191	191	191	191	191	191	191	167	2,265	2,471	2,644	
Service charges - refuse revenue	152	162	162	162	162	162	162	162	162	162	162	142	1,920	2,095	2,242	
Service charges - other	6	6	6	6	6	6	6	6	6	6	6	7	73	78	84	
Rental of facilities and equipment												300	300	300	300	
Interest earned - external investments												-	-	-	-	
Interest earned - outstanding debtors												-	-	-	-	
Dividends received												-	-	-	-	
Fines, penalties and forfeits	1	1	1	1	1	1	1	1	1	1	1	151	183	187	188	
Licences and permits	7	7	7	7	7	7	7	7	7	7	7	7	64	91	97	
Agency services	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	(1,411)	25,733	28,299	30,699	
Transfers and subsidies	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	1,530	1,620	1,733	-	
Other revenue	34	34	34	34	34	34	34	34	34	34	34	-	-	-	-	
Gains on disposal of PPE												-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	3,693	3,694	3,694	3,694	3,694	3,694	3,694	3,694	3,694	3,694	3,694	3,171	40,811	44,616	48,130	
Expenditure By Type																
Employee related costs	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,435	1,392	19,718	20,271	21,692	
Remuneration of councillors	243	243	243	243	243	243	243	243	243	243	243	243	2,914	3,118	3,337	
Debt Impairment													5,711	6,110	6,538	
Depreciation & asset impairment													20,000	20,000	20,000	
Finance charges	54	54	54	54	54	54	54	54	54	54	54	54	(439)	152	174	
Bulk purchases	768	768	768	768	768	768	768	768	768	768	768	784	9,231	10,923	12,182	
Other materials	136	136	136	136	136	136	136	136	136	136	136	136	(67)	1,495	1,687	1,991
Contracted services	83	83	83	83	83	83	83	83	83	83	83	83	(346)	566	605	648
Transfers and subsidies	761	761	761	761	761	761	761	761	761	761	761	761	1,021	9,380	9,735	9,946
Other expenditure													-	-	-	-
Total Expenditure	3,479	3,479	3,479	3,479	3,479	3,479	3,479	3,479	3,479	3,479	3,479	30,816	69,087	71,412	75,207	
Surplus/(Deficit)																
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	124	124	124	124	124	124	124	124	124	124	124	124	(29,645)	(28,276)	(28,796)	(27,078)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non profit institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,267	15,526	9,026	10,449	
Transfers and subsidies - capital (in-kind - oil)													-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	(28,378)	(12,750)	(17,770)	(16,629)
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/(deficit) of associates													-	-	-	-
Surplus/(Deficit)	1	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	(28,378)	(12,750)	(17,770)	(16,629)

Table 40 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description		Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1	Budget Year +2
R thousand															2019/20	2020/21	
Revenue by Vote																	
Vote 1 - CORPORATE SERVICE		193	193	193	193	193	193	193	193	193	193	193	193	193	4,076	4,324	4,570
Vote 2 - Budget and Treasury Office		2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	24,841	27,489	29,915
Vote 3 - Technical Services		994	994	994	994	994	994	994	994	994	994	994	994	994	22,632	24,348	26,026
Total Revenue by Vote		3,229	3,229	3,229	3,229	3,229	3,229	3,229	3,229	3,229	3,229	3,229	3,229	3,229	51,549	56,161	60,510
Expenditure by Vote to be appropriated																	
Vote 1 - CORPORATE SERVICE		1,143	1,143	1,143	1,143	1,143	1,143	1,143	1,143	1,143	1,143	1,143	1,143	1,143	2,084	14,656	15,682
Vote 2 - Budget and Treasury Office		708	708	708	708	708	708	708	708	708	708	708	708	708	1,410	9,198	16,780
Vote 3 - Technical Services		1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	1,753	16,185	35,454	9,908
Total Expenditure by Vote		3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	19,630	59,319	68,127
Surplus/(Deficit) before assoc.		(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(3,645)	(7,770)	(7,616)
Taxation															—	—	—
Attributable to minorities															—	—	—
Share of surplus/ (deficit) of associate															—	—	—
Surplus/(Deficit)	1	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(375)	(7,770)	(7,372)	(7,616)

Table 41 MBRR SA27 -Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2018/19										Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year +1	Budget Year +2
R thousand														2019/20	2020/21
Revenue - Functional															
Governance and administration		2,564	2,564	2,564	2,564	2,564	2,564	2,564	2,564	2,564	2,564	2,564	2,564	26,757	29,533
Executive and council	140	140	140	140	140	140	140	140	140	140	140	140	140	1,681	1,799
Finance and administration	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	2,424	25,076	27,734
Community and public safety		45	45	45	45	45	45	45	45	45	45	45	45	1,661	2,160
Community and social services	45	45	45	45	45	45	45	45	45	45	45	45	45	1,661	2,160
Economic and environmental services	33	33	33	33	33	33	33	33	33	33	33	33	33	55	374
Planning and development														-	-
Road transport	33	33	33	33	33	33	33	33	33	33	33	33	33	55	421
Environmental protection														-	-
Trading services	961	961	961	961	961	961	961	961	961	961	961	961	961	11,643	22,211
Energy sources	369	369	369	369	369	369	369	369	369	369	369	369	369	3,178	7,236
Water management	239	239	239	239	239	239	239	239	239	239	239	239	239	3,516	6,150
Waste water management	191	191	191	191	191	191	191	191	191	191	191	191	191	2,691	6,642
Waste management	162	162	162	162	162	162	162	162	162	162	162	162	162	2,258	4,789
Other														-	-
Total Revenue - Functional		3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	11,910	51,549
Expenditure - Functional														56,161	60,510
Governance and administration	1,546	1,546	1,546	1,546	1,546	1,546	1,546	1,546	1,546	1,546	1,546	1,546	1,546	1,546	21,440
Executive and council	345	345	345	345	345	345	345	345	345	345	345	345	345	3,280	22,606
Finance and administration	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,194	5,338
Internal audit														2,086	5,711
Community and public safety														-	16,072
Community and social services	305	305	305	305	305	305	305	305	305	305	305	305	305	214	3,564
Economic and environmental services	39	39	39	39	39	39	39	39	39	39	39	39	39	39	3,814
Road transport	39	39	39	39	39	39	39	39	39	39	39	39	39	39	3,814
Trading services	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	16,146	40,332
Energy sources	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	1,127	17,483
Water management	226	226	226	226	226	226	226	226	226	226	226	226	226	5,086	19,023
Waste water management	133	133	133	133	133	133	133	133	133	133	133	133	133	4,460	20,841
Waste management														6,340	7,465
Other														-	-
Total Expenditure - Functional		3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	3,604	19,679	63,533
Surplus/(Deficit) before assoc.		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(7,770)	(7,372)
Share of surplus/ (deficit) of associate		1	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	(7,616)
Surplus/(Deficit)		1	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(7,770)	(7,372)

Table 42 MBRR SA28 - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2018/19										Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year +1	Budget Year +2
R thousand														2018/19	2019/20
Multi-year expenditure to be appropriated	1														
Vote 1 - CORPORATE SERVICE															
Vote 2 - Budget and Treasury Office															
Vote 3 - Technical Services															
Vote 4 - [NAME OF VOTE 4]															
Vote 5 - [NAME OF VOTE 5]															
Vote 6 - [NAME OF VOTE 6]															
Vote 7 - [NAME OF VOTE 7]															
Vote 8 - [NAME OF VOTE 8]															
Vote 9 - [NAME OF VOTE 9]															
Vote 10 - [NAME OF VOTE 10]															
Vote 11 - [NAME OF VOTE 11]															
Vote 12 - [NAME OF VOTE 12]															
Vote 13 - [NAME OF VOTE 13]															
Vote 14 - [NAME OF VOTE 14]															
Vote 15 - [NAME OF VOTE 15]															
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated															
Vote 1 - CORPORATE SERVICE															
Vote 2 - Budget and Treasury Office															
Vote 3 - Technical Services															
Vote 4 - [NAME OF VOTE 4]															
Vote 5 - [NAME OF VOTE 5]															
Vote 6 - [NAME OF VOTE 6]															
Vote 7 - [NAME OF VOTE 7]															
Vote 8 - [NAME OF VOTE 8]															
Vote 9 - [NAME OF VOTE 9]															
Vote 10 - [NAME OF VOTE 10]															
Vote 11 - [NAME OF VOTE 11]															
Vote 12 - [NAME OF VOTE 12]															
Vote 13 - [NAME OF VOTE 13]															
Vote 14 - [NAME OF VOTE 14]															
Vote 15 - [NAME OF VOTE 15]															
Capital single-year expenditure sub-total	2	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294
Total Capital Expenditure	2	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294

Table 43 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Budget Year 2018/19										Medium Term Revenue and Expenditure Framework							
Description		Ref	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1	Budget Year +2
R thousand															2018/19	2019/20	2020/21
Capital Expenditure - Functional	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government and administration																	
Executive and council																	
Finance and administration																	
Internal audit																	
Community and public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services																	
Sport and recreation																	
Public safety																	
Housing																	
Health																	
Economic and environmental services		669	669	669	669	669	669	669	669	669	669	669	669	669	8,426	7,480	7,630
Planning and development		669	669	669	669	669	669	669	669	669	669	669	669	669	-	-	-
Road transport															8,426	7,480	7,630
Environmental protection															-	-	-
Trading services		625	625	625	625	625	625	625	625	625	625	625	625	625	7,500	1,920	3,200
Energy sources		167	167	167	167	167	167	167	167	167	167	167	167	167	2,000	1,920	3,200
Water management		458	458	458	458	458	458	458	458	458	458	458	458	458	5,500	-	-
Waste water management															-	-	-
Waste management															-	-	-
Other	2	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,294	1,694	15,926	9,400
Total Capital Expenditure - Functional																	10,930
Funded by:																	
National Government		1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327
Provincial Government															-	-	-
District Municipality															-	-	-
Other transfers and grants															-	-	-
Transfers recognised - capital															-	-	-
Public contributions & donations															-	-	-
Borrowing															-	-	-
Internally generated funds															-	-	-
Total Capital Funding		1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327
															9,400	9,400	10,930

Table 44 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS R thousand		Budget Year 2018/19										Medium Term Revenue and Expenditure Framework					
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19 2019/20	Budget Year +1 2019/20	Budget Year +2 2020/21	
Cash Receipts By Source																	
Property rates	51	51	51	51	51	51	51	51	51	51	51	51	51	606	655	700	
Service charges - electricity revenue	146	146	146	146	146	146	146	146	146	146	146	146	146	1,754	1,903	2,036	
Service charges - water revenue	95	95	95	95	95	95	95	95	95	95	95	95	95	1,138	1,242	1,329	
Service charges - sanitation revenue	75	75	75	75	75	75	75	75	75	75	75	75	75	906	998	1,058	
Service charges - refuse revenue	64	64	64	64	64	64	64	64	64	64	64	64	64	768	838	887	
Rental of Facilities and equipment	6	6	6	6	6	6	6	6	6	6	6	6	6	6	73	78	84
Interest earned - external investments	25	25	25	25	25	25	25	25	25	25	25	25	25	25	300	300	300
Fines, penalties and forfeits	11	11	11	11	11	11	11	11	11	11	11	11	11	11	130	167	168
Licences and permits	6	6	6	6	6	6	6	6	6	6	6	6	6	6	72	91	97
Transfer receipts - operational	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	2,144	25,733	28,296	30,699	
Other revenue	102	102	102	102	102	102	102	102	102	102	102	102	102	102	1,224	1,296	1,473
Cash Receipts by Source	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	2,725	32,703	35,854	38,840
Other Cash Flows by Source	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	15,926	9,400	10,830	
Total Cash Receipts by Source	4,052	4,052	4,052	4,052	4,052	4,052	4,052	4,052	4,052	4,052	4,052	4,052	4,052	48,629	48,254	49,670	
Cash Payments by Type																	
Employee related costs	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,199	20,271	21,692	
Remuneration of councillors	243	243	243	243	243	243	243	243	243	243	243	243	243	243	3,118	3,337	
Finance charges	13	13	13	13	13	13	13	13	13	13	13	13	13	13	152	162	174
Bulk purchases - Electricity	750	750	750	750	750	750	750	750	750	750	750	750	750	750	9,000	5,576	3,917
Bulk purchases - Water & Sewer	19	19	19	19	19	19	19	19	19	19	19	19	19	19	231	247	265
Other materials	117	117	117	117	117	117	117	117	117	117	117	117	117	117	1,405	1,487	1,591
Contracted services	47	47	47	47	47	47	47	47	47	47	47	47	47	47	566	605	648
Other expenditure	782	782	782	782	782	782	782	782	782	782	782	782	782	782	9,390	2,735	2,046
Cash Payments by Type	3,571	3,571	3,571	3,571	3,571	3,571	3,571	3,571	3,571	3,571	3,571	3,571	3,571	42,857	34,302	33,659	
Other Cash Flows/Payments by Type	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	15,926	9,050	10,480	
Capital assets	4,899	4,899	4,899	4,899	4,899	4,899	4,899	4,899	4,899	4,899	4,899	4,899	4,899	58,783	43,352	44,149	
Total Cash Payments by Type	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(10,154)	1,902	5,521
NET INCREASE/(DECREASE) IN CASH HELD	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(846)	(10,154)	(8,252)	
Cash/cash equivalents at the month/year begin:	(846)	(846)	(1,692)	(2,538)	(3,385)	(4,231)	(5,077)	(6,769)	(7,615)	(8,462)	(9,923)	(10,154)	(10,154)	(10,154)	(10,154)	(10,154)	(2,731)
Cash/cash equivalents at the month/year end:																	

2.11 Annual budgets and SDBIPs – internal departments**2.11.1 Water Services Department – Vote 14**

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

There are currently no unfilled positions in the top management structure of the Water Services Department. The top structure consists of the Director: Technical Services and three foremen reporting directly to him.

The department strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. The departmental revenue base is primarily informed by sale of water of which budget appropriating for the 2018/19 financial year is and has been informed by a collection rate of 40 per cent and distribution losses 10 per cent.

2.12 Contracts having future budgetary implications

In terms of the City's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.13 Capital expenditure details

The following three tables present details of the City's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 45 MBRR SA 34a - Capital expenditure on new assets by asset class

NC075 Renosterberg - Supporting Table SA34a Capital expenditure on new assets by asset class			2018/19 Medium Term Revenue & Expenditure Framework							
R thousand	Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget			
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure			13,410	9,890	8,137	24,027	21,027	15,926	9,400	10,830
Roads Infrastructure			13,410	8,390	8,137	8,027	8,027	8,426	7,480	7,630
Roads			13,410	8,390	8,137	8,027	8,027	8,426	7,480	7,630
Road Structures										
Road Furniture										
Capital Spares										
Storm water Infrastructure			-	-	-	-	-	-	-	-
Drainage Collection										
Storm water Conveyance										
Attenuation										
Electrical Infrastructure			-	1,500	-	3,000	3,000	2,000	1,920	3,200
Power Plants				1,500		3,000	3,000	2,000	1,920	3,200
HV Substations										
HV Switching Station										
HV Transmission Conductors										
MV Substations										
MV Switching Stations										
MV Networks										
LV Networks										
Capital Spares										
Water Supply Infrastructure			-	-	-	-	-	5,500	-	-
Dams and Weirs										
Boreholes										
Reservoirs										
Pump Stations										
Water Treatment Works										
Bulk Mains										
Distribution										
Distribution Points										
PRV Stations										
Capital Spares										
Sanitation Infrastructure			-	-	-	13,000	10,000	-	-	-
Pump Station										
Reliculation										
Waste Water Treatment Works						13,000	10,000			
Total Capital Expenditure on new assets	1		13,410	9,890	8,137	24,027	21,027	15,926	9,400	10,830

2.14 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
2. Internship programme
The City is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns one has been appointed permanently from June 2009. The remaining four have completed their two year contract on 28 February 2010, and extension for one year has been granted by National Treasury. Since the introduction of the Internship programme the City has successfully employed and trained 33 interns through this programme and a majority of them were appointed either in the City or other Institutions such as KPMG, Ernest & Young, SARS, Auditor General, National Treasury. Three additional interns have been appointed with effect from 1 March 2011.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2010/11 MTREF in May 2010 directly aligned and informed by the 2011/12 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the City's internal centre and training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.15 Other supporting documents

Table 46 MBRR Table SA1 - Supporting detail to budgeted financial performance

NC075 Renosterberg - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'			2018/19 Medium Term Revenue & Expenditure Framework						
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		Budget Year +1 2018/19	Budget Year +2 2019/20	Budget Year +2 2020/21
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget			
REVENUE ITEMS:									
Property rates	6	2,911	3,120		6,392	1,420	1,515	1,637	1,751
Total Property Rates					-	1,923	-		
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRSA)</i>									
Net Property Rates	6	2,911	3,120	-	4,469	1,420	1,515	1,637	1,751
Service charges - electricity revenue	6	5,992	5,524		6,189	4,099	6,536	7,059	7,553
Total Service charges - electricity revenue							2,149	2,300	2,461
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>									
<i>less Cost of Free Basic Services (50 kwh per indigent household per month)</i>		-	-	-	2	-	2	2	2
Net Service charges - electricity revenue	6	5,992	5,524	-	6,187	4,099	4,384	4,757	5,090
Service charges - water revenue	6	3,202	3,845		1,870	2,660	6,150	6,642	7,107
Total Service charges - water revenue							3,304	3,535	3,782
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>									
<i>less Cost of Free Basic Services (6 kilolitres per indigent household per month)</i>		-	-	-	2	-	2	2	2
Net Service charges - water revenue	6	3,202	3,845	-	1,867	2,660	2,844	3,105	3,322
Service charges - sanitation revenue	6	1,469	1,772		1,861	1,798	4,789	5,172	5,534
Total Service charges - sanitation revenue							2,522	2,899	2,888
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>									
<i>less Cost of Free Basic Services (free sanitation service to indigent households)</i>		-	-	-	2	-	2	2	2
Net Service charges - sanitation revenue	6	1,469	1,772	-	1,858	1,798	2,265	2,471	2,644
Service charges - refuse revenue	6	970	1,157		1,321	2,115	4,036	4,369	4,664
Total refuse removal revenue							2,114	2,262	2,421
Total landfill revenue									
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>									
<i>less Cost of Free Basic Services (removed once a week to indigent households)</i>		-	-	-	2	-	2	2	2
Net Service charges - refuse revenue	6	970	1,157	-	1,319	2,115	1,920	2,095	2,242
Other Revenue by source	3	3,095	15	-	68		30	-	-
<i>Fuel Levy</i>							1,500	1,620	1,733
<i>Other Revenue</i>									
<i>Resort</i>									
Total Other Revenue	1	3,095	15	-	68	-	1,530	1,620	1,733
EXPENDITURE ITEMS:									
Employee related costs	2	15,027	16,010	-	11,115	12,228	16,305	16,615	17,780
Basic Salaries and Wages				-	2,781	2,142	2,290	2,461	2,622
Pension and UIF Contributions				-	484	433	467	504	539
Medical Aid Contributions				-	353	115	609	651	697
Overtime				-	1,098	809			
Performance Bonus				-	64	-			
Motor Vehicle Allowance				-	414	-	47	50	54
Cellphone Allowance				-					
Housing Allowances				-					
Other benefits and allowances	5	15,027	16,010	-	16,310	15,727	19,718	20,271	21,692
<i>Less: Employees costs capitalised to PPE</i>				-	16,310	15,727	19,718	20,271	21,692
Total Employee related costs	1	15,027	16,010	-					

Table 46 MBRR Table SA1 - Supporting detail to budgeted financial performance (Continued)

NC075 Renosterberg - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'			2018/19 Medium Term Revenue & Expenditure Framework						
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget			
Contributions recognised - capital <i>List contributions by contract</i>									
Total Contributions recognised - capital		-	-	-	-	-	-	-	-
Depreciation & asset impairment									
Depreciation of Property, Plant & Equipment		22,932	22,374	-	1,464	1,464	20,000	20,000	20,000
Lease amortisation									
Capital asset impairment									
Depreciation resulting from revaluation of PPE									
Total Depreciation & asset impairment		10 1	22,932	22,374	-	1,464	1,464	20,000	20,000
Bulk purchases									
Electricity Bulk Purchases		8,829	9,946	-	13,068	5,660	9,000	10,676	11,917
Water Bulk Purchases					214	214	231	247	265
Total bulk purchases		1	8,829	9,946	-	13,282	5,874	9,231	10,923
Transfers and grants									
Cash transfers and grants		-	-	-	-	-	-	-	-
Non-cash transfers and grants		-	-	-	5,600	5,345	-	-	-
Total transfers and grants		1	-	-	-	5,600	5,345	-	-
Contracted services									
<i>List services provided by contract</i>									
sub-total		3,484	4,465	-	66	1,590	566	605	648
Total contracted services		1	3,484	4,465	-	66	1,590	566	605
Other Expenditure By Type									
Collection costs									
Contributions to 'other' provisions									
Consultant fees									
Audit fees									
General expenses									
<i>List Other Expenditure by Type</i>									
AFS		3	6,745	8,368	-	5,166	5,318	5,090	4,435
Total 'Other' Expenditure		1	6,745	8,368	-	5,166	5,318	4,300	4,300
							9,390	8,735	9,046

Table 47 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

NC075 Renosterberg - Supporting Table SA2 Matrix financial performance budget (revenue source/expenditure type and dept.)										
R thousand	Description	Ref	Vote 1 - CORPORATE SERVICE	Vote 2 - Budget and Treasury Office	Vote 3 - Technical Services	Vote 4 - NAME OF VOTE 4!	Vote 5 - NAME OF VOTE 5!	Vote 6 - NAME OF VOTE 6!	Vote 7 - NAME OF VOTE 7!	Vote 8 - NAME OF VOTE 8!
Revenue By Source										
Property rates		1		1,530	-	4,427	2,873	2,288	1,940	
Service charges: electricity revenue										1,530
Service charges: water revenue										4,427
Service charges: sanitation revenue										2,873
Service charges: refuse revenue										2,288
Rental charges: other										1,940
Rental of facilities and equipment										-
Interest earned - external investments										72
Interest earned - outstanding debtors										-
Dividends received										-
Fines, penalties and forfeits										-
Licences and permits										13
Agency services										84
Other revenue										404
Transfers and subsidies					25,112	-				-
Gains on disposal of PPE										25,112
Total Revenue (excluding capital transfers and contributions)			477	26,739	11,528	-	-	-	-	-
Expenditure By Type										
Employee related costs				5,604	3,361	8,057				
Remuneration of councillors				2,914						
Debt impairment				861						
Depreciation & asset impairment				632						
Finance charges				644						
Bulk purchases				1,628	597	8,015				
Other mastiffs				-	4,300					
Contracted services										
Transfers and subsidies										
Other expenditure										
Total Expenditure			18,513	8,658	16,072	-	-	-	-	-
Surplus/(Deficit)			(16,067)	16,081	(4,544)	-	-	-	-	(4,500)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)										15,526
Transfers and subsidies - capital (monetary allocations) (National / Provincial Department Agencies, Households, Non-profit institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)										-
Transfers and subsidies - capital (fr-kind-all)										-
Surplus/(Deficit) after capital transfers & contributions			(13,037)	18,081	10,982	-	-	-	-	11,026

Table 48 MBRR Table SA3 – Supporting detail to Statement of Financial Position

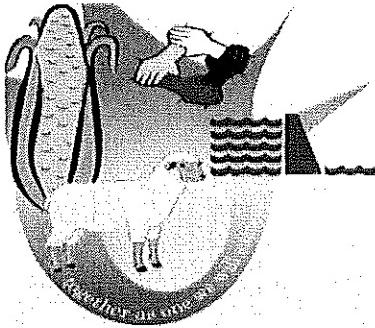
NC075 Renosterberg - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand									
ASSETS									
Call investment deposits									
Call deposits				–			–	–	–
Other current investments				–		285	–	–	–
Total Call investment deposits	2	–	–	–	–	285	–	–	–
Consumer debtors									
Consumer debtors		14,197	11,397	–	53,000	54,777	58,818	62,347	66,088
Less: Provision for debt impairment									
Total Consumer debtors	2	14,197	11,397	–	53,000	54,777	58,818	62,347	66,088
Debt impairment provision									
Balance at the beginning of the year				–			–		
Contributions to the provision				–			861	921	986
Bad debts written off				–					
Balance at end of year		–	–	–	–	–	861	921	986
Property, plant and equipment (PPE)									
PPE at cost/valuation (excl. finance leases)		518,388	1,107,284	–	393,150	393,150	1,107,300	1,107,300	1,107,300
Leases recognised as PPE	3								
Less: Accumulated depreciation									
Total Property, plant and equipment (PPE)	2	518,388	1,107,284	–	393,150	393,150	1,107,300	1,107,300	1,107,300
LIABILITIES									
Current liabilities - Borrowing									
Short term loans (other than bank overdraft)									
Current portion of long-term liabilities									
Total Current liabilities - Borrowing		–	–	–	–	–	–	–	–
Trade and other payables									
Trade and other creditors		128,059	69,692	–	50,616	50,616	70,981	75,240	79,755
Unspent conditional transfers									
VAT									
Total Trade and other payables	2	128,059	69,692	–	50,616	50,616	70,981	75,240	79,755
Non current liabilities - Borrowing									
Borrowing	4	424	69	–					
Finance leases (including PPP asset element)									
Total Non current liabilities - Borrowing		424	69	–	–	–	–	–	–
Provisions - non-current									
Retirement benefits					11,707	11,707			
List other major provision items									
Refuse landfill site rehabilitation									
Other		20,309	19,942	–			8,000	8,000	8,000
Total Provisions - non-current		20,309	19,942	–	11,707	11,707	8,000	8,000	8,000
CHANGES IN NET ASSETS									
Accumulated Surplus/(Deficit)									
Accumulated Surplus/(Deficit) - opening balance									
GRAP adjustments									
Restated balance		–	–	–	–	–	–	–	–
Surplus/(Deficit)		(2,003)	(13,231)	–	(9)	(1)	(7,040)	(11,660)	(10,091)
Appropriations to Reserves									
Transfers from Reserves									
Depreciation offsets									
Other adjustments									
Accumulated Surplus/(Deficit)	1	(2,003)	(13,231)	–	(9)	(1)	(7,040)	(11,660)	(10,091)
Reserves									
Housing Development Fund									
Capital replacement									
Self-insurance									
Other reserves									
Revaluation									
Total Reserves	2	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	(2,003)	(13,231)	–	(9)	(1)	(7,040)	(11,660)	(10,091)

Table 49 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets (000)									
Water:									
Piped water inside dwelling	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Minimum Service Level and Above sub-total	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	–	–	–	–	–	–	–	–	–
No water supply	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
Total number of households	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Sanitation/sewage:									
Flush toilet (connected to sewerage)	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Minimum Service Level and Above sub-total	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Bucket toilet	–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–	–	–	–	–	–
No toilet provisions	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
Total number of households	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Energy:									
Electricity (at least min.service level)	1,166	1,500	–	2,771	–	–	568	600	650
Electricity - prepaid (min.service level)	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	1,166	1,500	–	2,771	–	–	568	600	650
Total number of households	1,166	1,500	–	2,771	–	–	568	600	650
Refuse:									
Removed at least once a week	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–	–	–	–	–	–
Removed less frequently than once a week	1,166	1,200	–	2,771	–	–	2,771	2,771	2,771
Below Minimum Service Level sub-total	1,166	1,200	–	2,771	–	–	2,771	2,771	2,771
Total number of households	1,166	1,200	–	2,771	–	–	2,771	2,771	2,771
	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets (000)									
Water:									
Piped water inside dwelling	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Piped water inside yard (but not in dwelling)	–	–	–	–	–	–	–	–	–
Using public tap (at least min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Using public tap (< min.service level)	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	–	–	–	–	–	–	–	–	–
No water supply	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
Total number of households	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Sanitation/sewage:									
Flush toilet (connected to sewerage)	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Flush toilet (with septic tank)	–	–	–	–	–	–	–	–	–
Chemical toilet	–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)	–	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Bucket toilet	–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–	–	–	–	–	–
No toilet provisions	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
Total number of households	1,166	1,500	–	2,771	–	–	2,771	2,771	2,771
Energy:									
Electricity (at least min.service level)	1,166	1,500	–	2,771	–	–	568	600	650
Electricity - prepaid (min.service level)	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	1,166	1,500	–	2,771	–	–	568	600	650
Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–	–
Other energy sources	–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–	–
Total number of households	1,166	1,500	–	2,771	–	–	568	600	650
Refuse:									
Removed at least once a week	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	–	–	–	–	–	–	–	–	–
Removed less frequently than once a week	1,166	1,200	–	2,771	–	–	2,771	2,771	2,771
Below Minimum Service Level sub-total	1,166	1,200	–	2,771	–	–	2,771	2,771	2,771
Total number of households	1,166	1,200	–	2,771	–	–	2,771	2,771	2,771

Table 49 MBRR Table SA9 – Social, economic and demographic statistics and assumptions Continued



Renosterberg Municipality

School Street
P.O Bag X 112
PETRUSVILLE
8770
Telephone (053) 6630041
Fax (053) 6630180

Verwys:
Refer:

Navrae:
Enquiries: Miss N Mfanekiso

Datum:
Date: 31 May 2018

Renosterberg Municipality (nc075)

Quality Certificate in terms of section 5 of the Municipal Budget Regulations, Government Gazette 32141, 17 April 2006

I, S dick, Acting Municipal Manager Of Renosterberg Municipality, hereby certify that the Annual Budget for 2018/2019 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, and the regulations made under the Act, and that the Annual Budget and supporting documents are consistent with the Intergrated Development Plan (IDP) of the Municipality.

S DICK
ACTING MUNICIPAL MANAGER

2.16 Municipal manager's quality certificate

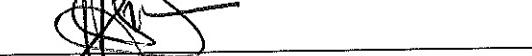
I, Sandile Dick, municipal manager of Renosterberg Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name

Sandile Dick

Municipal manager of Renosterberg Municipality

Signature



Date

31 May 2018

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to MBBR Table A9; MBBR Tables SA34a, b, c provides a detailed breakdown of the Capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others.

1.7 Annual Budget Tables – Renosterberg Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

NC075 Renosterberg - Table A1 Budget Summary

Description R thousands	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	2,911	3,120	–	4,489	1,420	–	–	1,515	1,637	1,751
Service charges	11,633	12,298	–	11,232	10,871	–	–	11,413	12,427	13,298
Investment revenue	141	267	–	–	–	–	–	300	300	300
Transfers recognised - operational	20,008	49,757	–	29,079	27,817	–	–	25,733	28,296	30,699
Other own revenue	3,929	415	–	1,424	180	–	–	1,849	1,856	2,082
Total Revenue (excluding capital transfers and contributions)	47,622	65,857	–	40,068	40,068	–	–	40,811	44,816	48,130
Employee costs	15,027	18,010	–	18,310	15,727	–	–	19,718	20,271	21,692
Remuneration of councilors	2,096	1,989	–	2,486	2,709	–	–	2,914	3,118	3,337
Depreciation & asset impairment	22,932	22,374	–	1,464	1,484	–	–	20,000	20,000	20,000
Finance charges	3,834	6,773	–	525	147	–	–	152	162	174
Materials and bulk purchases	11,138	10,594	–	13,820	6,974	–	–	10,636	12,328	13,587
Transfers and grants	–	–	–	5,600	5,345	–	–	–	–	–
Other expenditure	8,008	21,359	–	6,027	7,702	–	–	9,955	9,341	9,693
Total Expenditure	63,035	79,089	–	46,212	40,068	–	–	63,376	65,220	68,483
Surplus/(Deficit)	(15,413)	(13,231)	–	(9)	(1)	–	–	(22,586)	(20,604)	(20,353)
Transfers and subsidies - capital (monetary allocations)	13,410	–	–	–	–	–	–	15,528	9,026	10,449
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(2,003)	(13,231)	–	(9)	(1)	–	–	(7,040)	(11,578)	(9,905)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(2,003)	(13,231)	–	(9)	(1)	–	–	(7,040)	(11,578)	(9,905)
Capital expenditure & funds sources										
Capital expenditure	13,410	9,890	–	24,027	21,027	–	–	15,926	9,400	10,830
Transfers recognised - capital	13,410	9,890	–	24,027	21,027	–	–	15,926	9,400	10,830
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	–	–	–
Total sources of capital funds	13,410	9,890	–	24,027	21,027	–	–	15,926	9,400	10,830
Financial position										
Total current assets	26,724	25,131	–	57,170	59,232	–	–	62,918	66,693	70,895
Total non current assets	518,764	1,121,230	–	393,645	393,645	–	–	1,124,212	1,124,500	1,124,805
Total current liabilities	128,946	71,401	–	50,901	50,901	–	–	71,086	75,332	79,852
Total non current liabilities	20,733	20,011	–	11,707	11,707	–	–	8,000	8,000	8,000
Community wealth/Equity	395,809	1,054,950	–	388,207	390,269	–	–	1,108,061	1,107,860	1,107,647
Cash flows										
Net cash from (used) operating	23,154	1,143	–	20,745	25,214	–	–	5,772	10,952	16,001
Net cash from (used) investing	(23,224)	(9,890)	–	(24,027)	(21,027)	–	–	(15,926)	(9,050)	(10,480)
Net cash from (used) financing	(234)	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	776	(8,747)	–	(3,282)	4,187	–	–	(10,154)	(8,252)	(2,731)
Cash backlog/surplus reconciliation										
Cash and Investments available	776	251	–	420	705	–	–	100	106	112
Application of cash and investments	120,203	59,502	–	(94,455)	(27,871)	–	–	42,630	45,073	47,446
Balance - surplus (shortfall)	(119,427)	(59,251)	–	94,875	28,578	–	–	(42,530)	(44,987)	(47,333)
Asset management										
Asset register summary (WDV)	518,388	1,107,284	–	–	–	–	–	–	–	–
Depreciation	22,932	22,374	–	–	–	–	–	–	–	–
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	–	–	–	–	–	–	–	–	–	–
Free services										
Cost of Free Basic Services provided	–	–	–	9	–	–	–	9	9	9
Revenue cost of free services provided	–	–	–	1,923	–	–	–	10,089	10,089	11,551
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sewerage/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	1	1	–	3	–	–	–	3	3	3

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2018/19, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2018/19 the free basic water will remain at 8kl for Indigent Household.

Table 16MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table17MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

NC075 Renosterberg - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote									
Vote 1 - CORPORATE SERVICE	1	14,388	2,257	4,239	3,866	2,704	4,076	4,324	4,570
Vote 2 - Budget and Treasury Office		18,507	28,149	29,721	30,032	26,690	24,841	27,489	29,915
Vote 3 - Technical Services		28,137	35,452	26,024	36,341	10,674	22,632	24,348	26,026
Vote 4 - [NAME OF VOTE 4]		-	-	-	-	-	-	-	-
Vote 5 - [NAME OF VOTE 5]		-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-
Total Revenue by Vote	2	61,032	65,857	59,985	70,239	40,068	51,549	56,161	60,510
Expenditure by Vote to be appropriated									
Vote 1 - CORPORATE SERVICE	1	9,647	11,540	16,330	11,642	13,440	14,656	15,682	16,780
Vote 2 - Budget and Treasury Office		38,381	39,339	9,293	10,047	9,504	9,198	9,541	9,908
Vote 3 - Technical Services		15,007	28,210	25,183	24,522	17,124	35,464	38,309	41,438
Vote 4 - [NAME OF VOTE 4]		-	-	-	-	-	-	-	-
Vote 5 - [NAME OF VOTE 5]		-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	63,035	79,089	50,807	46,211	40,068	59,319	63,533	68,127
Surplus/(Deficit) for the year	2	(2,003)	(13,231)	9,178	24,027	1	(7,770)	(7,372)	(7,616)

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 17 Surplus/ (Deficit) calculations for the trading services

Description R thousand	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Electricity								
Total Revenue (including Capital Grants and Transfers)	5,992	8,330	11,079	6,189	4,099	9,436	9,721	11,539
Operating Expenditure	9,049	15,574	8,583	14,223	7,664	14,422	15,748	17,337
Surplus/Deficit	(3,057)	(7,244)	2,496	(8,033)	(3,464)	(4,986)	(6,027)	(5,798)
Percentage Surplus/Deficit	-34%	-47%	29%	-57%	-46%	-34%	-38%	-33%
Water								
Total Revenue (including Capital Grants and Transfers)	3,202	20,082	2,700	1,870	2,660	11,650	6,642	7,107
Operating Expenditure	1,385	4,239	5,234	2,174	1,459	6,513	7,009	7,500
Surplus/Deficit	1,816	15,842	(2,534)	(304)	1,201	5,137	(367)	(393)
Percentage Surplus/Deficit	131%	374%	-48%	-13%	82%	79%	-5%	-5%

2. The Municipality have trading deficit over the 2018/19 MTREF. This is primarily as a result of the high increases in Eskom bulk purchases, the repayment agreement on outstanding debt and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
3. The surplus on the water account is hugely inflated due to capital projects that will take place translating into a surplus of R5, 137 Million for 2018 financial year. The surplus excludes the capital expenditure that will be incurred during the 2018/19 financial year.
4. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

NC075 Renosterberg - Table A4 Budgeted Financial Performance (revenue and expenditure)									
Description R thousand	Ref 1	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source									
Property rates	2	2,911	3,120	—	4,469	1,420	1,515	1,637	1,751
Service charges - electricity revenue	2	5,992	5,524	—	6,187	4,099	4,384	4,757	5,090
Service charges - water revenue	2	3,202	3,845	—	1,867	2,660	2,804	3,058	3,272
Service charges - sanitation revenue	2	1,469	1,772	—	1,858	1,796	1,893	2,065	2,209
Service charges - refuse revenue	2	970	1,157	—	1,319	2,115	2,231	2,431	2,601
Service charges - other						—			
Rental of facilities and equipment		814	400		193	90	73	78	84
Interest earned - external investments		141	267			—	300	300	300
Interest earned - outstanding debtors		—	—			—			
Dividends received		—	—			—			
Fines, penalties and forfeits		2	0		13	12	163	167	168
Licences and permits		1	0		1	—	84	91	97
Agency services		17	—		79	58			
Transfers and subsidies		29,008	49,757		29,079	27,817	25,733	28,296	30,699
Other revenue	2	3,095	15	—	68	—	1,530	1,620	1,733
Gains on disposal of PPE					1,070				
Total Revenue (excluding capital transfers and contributions)		47,622	65,857	—	46,203	40,068	40,710	44,500	48,004
Expenditure By Type									
Employee related costs	2	15,027	16,010	—	16,310	15,727	19,718	20,271	21,692
Remuneration of councilors		2,096	1,969	—	2,466	2,709	2,914	3,118	3,337
Debt impairment	3	(2,221)	8,536	—	794	794	5,711	6,110	6,538
Depreciation & asset impairment	2	22,932	22,374	—	1,464	1,464	20,000	20,000	20,000
Finance charges		3,834	6,773	—	625	147	162	162	174
Bulk purchases	2	8,829	9,946	—	13,282	5,874	9,231	10,923	12,182
Other materials	8	2,309	648	—	538	1,101	1,405	1,487	1,591
Contracted services		3,484	4,465	—	66	1,590	566	605	648
Transfers and subsidies		—	—	—	5,600	5,345	—	—	—
Other expenditure	4,5	6,745	8,368	—	5,166	5,318	9,390	8,735	9,046
Loss on disposal of PPE									
Total Expenditure		63,035	79,089	—	46,212	40,068	69,087	71,412	75,207
Surplus/(Deficit)		(15,413)	(13,231)	—	(9)	(1)	(28,377)	(26,913)	(27,203)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		13,410					15,526	9,026	10,449
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)									
Surplus/(Deficit) after capital transfers & contributions		(2,003)	(13,231)	—	(9)	(1)	(12,851)	(17,887)	(16,755)
Taxation									
Surplus/(Deficit) after taxation		(2,003)	(13,231)	—	(9)	(1)	(12,851)	(17,887)	(16,755)
Attributable to minorities									
Surplus/(Deficit) attributable to municipality		(2,003)	(13,231)	—	(9)	(1)	(12,851)	(17,887)	(16,755)
Share of surplus/ (deficit) of associate	7								
Surplus/(Deficit) for the year		(2,003)	(13,231)	—	(9)	(1)	(12,851)	(17,887)	(16,755)

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R56, 377 Million in 2018/19 and escalates to R58, 579 by 2020/21. This represents a decrease of 5 per cent for the 2019/20 financial year and 9 per cent for the 2020/21 financial year.
2. Revenue to be generated from property rates is R1, 515 Million in the 2018/19 financial year and increases to R1, 751 by 2020/21 which represents 5 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent across the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R11,413 Million for the 2018/19 financial year and increasing to R13,298 Million by 2020/21. For the 2018/19 financial year services charges amount to 28 per cent of the total revenue base and

- grows by 6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 10 per cent and 9 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
 5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**NC075 Renosterberg - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

Vote Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote	2								
Multi-year expenditure to be appropriated									
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2								
Vote 1 - CORPORATE SERVICE		-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury Office		-	-	-	-	-	-	-	-
Vote 3 - Technical Services		13,410	9,890	-	24,027	21,027	15,926	9,050	10,480
Vote 4 - [NAME OF VOTE 4]		-	-	-	-	-	-	-	-
Vote 5 - [NAME OF VOTE 5]		-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		13,410	9,890	-	24,027	21,027	15,926	9,050	10,480
Total Capital Expenditure - Vote		13,410	9,890	-	24,027	21,027	15,926	9,050	10,480
Capital Expenditure - Functional									
Governance and administration		-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-
Economic and environmental services		13,410	8,390	-	8,027	8,027	8,426	7,480	7,630
Planning and development		13,410	8,390	-	8,027	8,027	8,426	7,480	7,630
Road transport		-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-
Trading services		-	1,500	-	16,000	13,000	7,500	1,920	3,200
Energy sources		-	1,500	-	3,000	3,000	2,000	1,920	3,200
Water management		-	-	-	13,000	10,000	5,500	-	-
Waste water management		-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	13,410	9,890	-	24,027	21,027	15,926	9,400	10,830
Funded by:									
National Government		13,410	9,890	-	24,027	21,027	15,926	9,400	10,830
Provincial Government		-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-
Transfers recognised - capital	4	13,410	9,890	-	24,027	21,027	15,926	9,400	10,830
Public contributions & donations	5	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	-
Total Capital Funding	7	13,410	9,890	-	24,027	21,027	15,926	9,400	10,830

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations for 2018/19 has been allocated of the total R0 capital budget.

3. Single-year capital expenditure has been appropriated at R15, 926 million for the 2018/19 financial year and remains relatively constant over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2018/19, capital transfers totals R15, 296 Million and decrease to R9, 400 Million by 2019/20 and then decrease to R10, 830 Million in 2020/21.

Table 20 MBRR Table A6 -Budgeted Financial Position**NC075 Renosterberg - Table A6 Budgeted Financial Position**

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS									
Current assets									
Cash		776	251	–	420	420	100	106	112
Call investment deposits	1	–	–	–	–	285	–	–	–
Consumer debtors	1	14,197	11,397	–	53,000	54,777	58,818	62,347	66,088
Other debtors		3,346	324	–	3,750	3,750	4,000	4,240	4,494
Current portion of long-term receivables		8,368	13,126	–					
Inventory	2	37	34	–					
Total current assets		26,724	25,131	–	57,170	59,232	62,918	66,693	70,695
Non current assets									
Long-term receivables									
Investments			10,112		–	–	12,112	12,112	12,112
Investment property									
Investment in Associate									
Property, plant and equipment	3	518,388	1,107,284	–	393,150	393,150	1,107,300	1,107,300	1,107,300
Agricultural									
Biological									
Intangible		375	3,835	–	495	495	4,800	5,088	5,393
Other non-current assets									
Total non current assets		518,764	1,121,230	–	393,645	393,645	1,124,212	1,124,500	1,124,805
TOTAL ASSETS		545,487	1,146,362	–	450,815	452,877	1,187,129	1,191,193	1,195,499
LIABILITIES									
Current liabilities									
Bank overdraft	1	–	–	–	–	–	–	–	–
Borrowing	4	277	370	–	285	285	87	92	98
Consumer deposits									
Trade and other payables	4	128,059	69,692	–	50,616	50,616	70,981	75,240	79,755
Provisions		610	1,339						
Total current liabilities		128,946	71,401	–	50,901	50,901	71,068	75,332	79,852
Non current liabilities									
Borrowing		424	69	–	–	–	–	–	–
Provisions		20,309	19,942	–	11,707	11,707	8,000	8,000	8,000
Total non current liabilities		20,733	20,011	–	11,707	11,707	8,000	8,000	8,000
TOTAL LIABILITIES		149,679	91,411	–	62,608	62,608	79,068	83,332	87,852
NET ASSETS	5	395,809	1,054,950	–	388,207	390,269	1,108,061	1,107,860	1,107,647
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)		395,809	1,054,950	–	388,207,308	390,269	1,108,061	1,107,860	1,107,647
Reserves	4	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	395,809	1,054,950	–	388,207	390,269	1,108,061	1,107,860	1,107,647

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the International version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

NC075 Renosterberg - Table A7 Budgeted Cash Flows

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates		1,659	1,883	—	11,607	4,469	606	655	700
Service charges		6,614	8,591	—	354	11,607	4,585	4,971	5,319
Other revenue			3,293	—	29,079	354	1,498	1,632	1,822
Government - operating	1	20,660	22,061	—	24,027	29,079	25,733	28,296	30,699
Government - capital	1	13,009	9,890	—	—	24,027	15,926	9,400	10,830
Interest		141	371	—	—	—	300	300	300
Dividends				—	—	—	—	—	—
Payments									
Suppliers and employees		(15,095)	(40,898)	—	(38,196)	(38,196)	(42,705)	(34,140)	(33,495)
Finance charges		(3,834)	(1,573)	—	(525)	(525)	(152)	(162)	(174)
Transfers and Grants	1		(2,475)	—	(5,600)	(5,600)	—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES		23,154	1,143	—	20,745	25,214	5,772	10,952	16,001
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts							—	—	—
Proceeds on disposal of PPE							—	—	—
Decrease (Increase) in non-current debtors							—	—	—
Decrease (Increase) other non-current receivables							—	—	—
Decrease (Increase) in non-current investments							—	—	—
Payments									
Capital assets		(23,224)	(9,890)	—	(24,027)	(21,027)	(15,926)	(9,050)	(10,480)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(23,224)	(9,890)	—	(24,027)	(21,027)	(15,926)	(9,050)	(10,480)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts							—	—	—
Short term loans							—	—	—
Borrowing long term/refinancing							—	—	—
Increase (decrease) in consumer deposits							—	—	—
Payments							—	—	—
Repayment of borrowing		(234)					—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES		(234)	—	—	—	—	—	—	—
NET INCREASE/ (DECREASE) IN CASH HELD		(304)	(8,747)	—	(3,282)	4,187	(10,154)	1,802	5,521
Cash/cash equivalents at the year begin:	2	1,080					—	(10,154)	(8,252)
Cash/cash equivalents at the year end:	2	776	(8,747)	—	(3,282)	4,187	(10,154)	(8,252)	(2,731)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality increased over the 2018/19 MTREF.
4. The 2014/15 year provides a net decrease in cash of R304 Thousand for the financial year resulting in an overall cash position of R 776 Thousand.
5. In 2018/19 the Municipality will undertake an extensive debt collection drive resulting in cash receipts on arrear debtors, these interventions translated into a net cash position.
6. The 2018/19 has been informed by the planning principles of ensuring adequate cash reserves over the medium term and after the adjustment budget process it became clear that huge amount of funds would become necessary in the next financial year to acquire new fleet which would curb raising costs of repairs and maintenance.
7. Cash and cash equivalents totals -R10, 154 Million as at the end of the 2018/19 financial year and escalates to -R2, 731 Million by 2020/21.

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

NC075 Renosterberg - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available									
Cash/cash equivalents at the year end	1	776	(8,747)	—	(3,282)	4,187	(10,154)	(8,252)	(2,731)
Other current investments > 90 days		0	8,998	—	3,702	(3,482)	10,254	8,358	2,843
Non current assets - Investments	1	—	—	—	—	—	—	—	—
Cash and investments available:		776	251	—	420	705	100	106	112
Application of cash and investments									
Unspent conditional transfers		—	—	—	—	—	—	—	—
Unspent borrowing		—	—	—	—	—	—	—	—
Statutory requirements	2	—	—	—	—	—	—	—	—
Other working capital requirements	3	120,203	59,502	—	(94,455)	(27,871)	42,630	45,073	47,446
Other provisions		—	—	—	—	—	—	—	—
Long term investments committed	4	—	—	—	—	—	—	—	—
Reserves to be backed by cash/investments	5	—	—	—	—	—	—	—	—
Total Application of cash and investments:		120,203	59,502	—	(94,455)	(27,871)	42,630	45,073	47,446
Surplus(shortfall)		(119,427)	(59,251)	—	94,875	28,576	(42,630)	(44,967)	(47,333)

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2016/17 MTREF was not funded owing to the significant deficit.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 23MBRR Table A9 - Asset Management

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

Table 25 MBRR Table A10 - Basic Service Delivery Measurement

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor, who is also the chairperson of the Finance Committee...

The primary aims of the Budget Steering Committee are to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2017. Key dates applicable to the process were:

- **August 2017**–Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2018/19 MTREF;
- **November 2017**–Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2018** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2018**–Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2018** - Council considers the 2018/19 Mid-year Review and Adjustments Budget;
- **February 2018** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2018/19 MTREF is revised accordingly;
- **29 March 2018** - Tabling in Council of the draft 2018/19 IDP and 2018/19 MTREF for public consultation;
- **April 2018** – Public consultation;
- **6 May 2018** - Closing date for written comments;
- **6 to 21 May 2018**–finalisation of the 2018/19 IDP and 2018/19 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2018** - Tabling of the 2018/19 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The IDP as adopted by Council in May 2017. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/19 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP; and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2018/19 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality's growth potential
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2018/19 MTREF as tabled before Council on 29 March 2018 for community consultation were made available at customer care offices, municipal notice boards and various libraries. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 13 to 29 March 2018, and included six public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 25 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2018/19 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The City is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the City;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2018/19 MTREF compared to the draft 2018/19 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2011, was factored into the proposed consumer tariffs, applicable from 1 July 2018. This resulted in an increase of 6,84 per cent;
- The SALGBC parties' settlement regarding the salary negotiations have been draftised for the 2018/19 financial year;
- The 2018 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and
- Funding was allocated to address metering discrepancies and unmetered premises.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore,

Integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the City strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the City's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 25 IDP Strategic Objectives

	2017 / 2018	2018 / 19 MTREF
1	Ensure that all residents have access to sustainable free basic service and all other services rendreds	Provisions of access to all basic services rendered to residents within the available resources
2	Development and transformation of the institution with the aim of capacitating the municipality in meeting the objectives	Development and transformation of the institution with the aim of capacitating municipality in meeting their objectives.
3	Promote sustainable and representative governance through the efficient, effective governance.	Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Renosterberg Municipality.
4	Promote sustainable and representative governance through efficient , effective and sustainable utilization of resources in consultation with the the residence of Renosterberg Municipality	Promote the equitable creation and distribution of wealth in Renosterberg Municipal area
5	Create an effective efficient sustainable and viable municipality through financial management	Maintaining a financially sustainable and viable Municipality
6	Contribute to creation of communities where residents and visitors can work , live and play without threat to themselves or their properties	Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor.
7	Contribute to the development of caring communities which promote and protect the right and needs of all citizens with a particular focus on the poor	Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties.
8	Ensure a healthy environment for all residents of Renosterberg through effective environmental management.	

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality's to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide electricity;
 - o Provide water;
 - o Provide sanitation;
 - o Provide waste removal;
 - o Provide housing;
 - o Provide roads and storm water;
 - o Provide public transport;
 - o Provide city planning services; and
 - o Maintaining the infrastructure of the City.
2. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is a clear structural plan for the City;
 - o Ensuring planning processes function in accordance with set timeframes;
 - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - o Effective implementation of the Indigent Policy;
 - o Working with the provincial department of health to provide primary health care services;
 - o Extending waste removal services and ensuring effective city cleansing;
 - o Ensuring all waste water treatment works are operating optimally;
 - o Working with strategic partners such as SAPS to address crime;
 - o Ensuring safe working environments by effective enforcement of building and health regulations;
 - o Promote viable, sustainable communities through proper zoning; and
 - o Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - o Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - o Optimising effective community participation in the ward committee system; and
 - o Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - o Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - o Reviewing the use of contracted services
 - o Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - o Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Renosterberg Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality's and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zoned planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality's has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

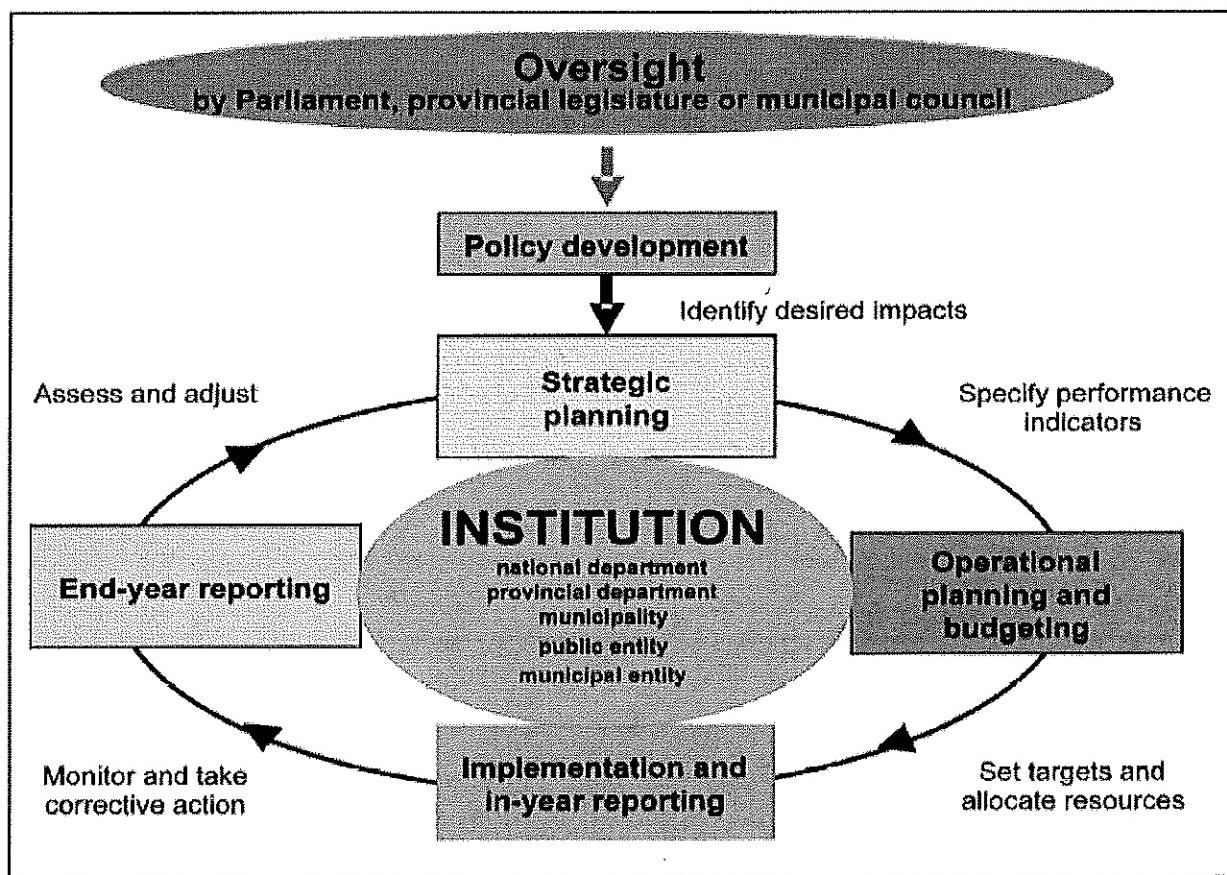


Figure 1 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one Integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the *Framework of Managing Programme Performance Information* issued by the National Treasury:

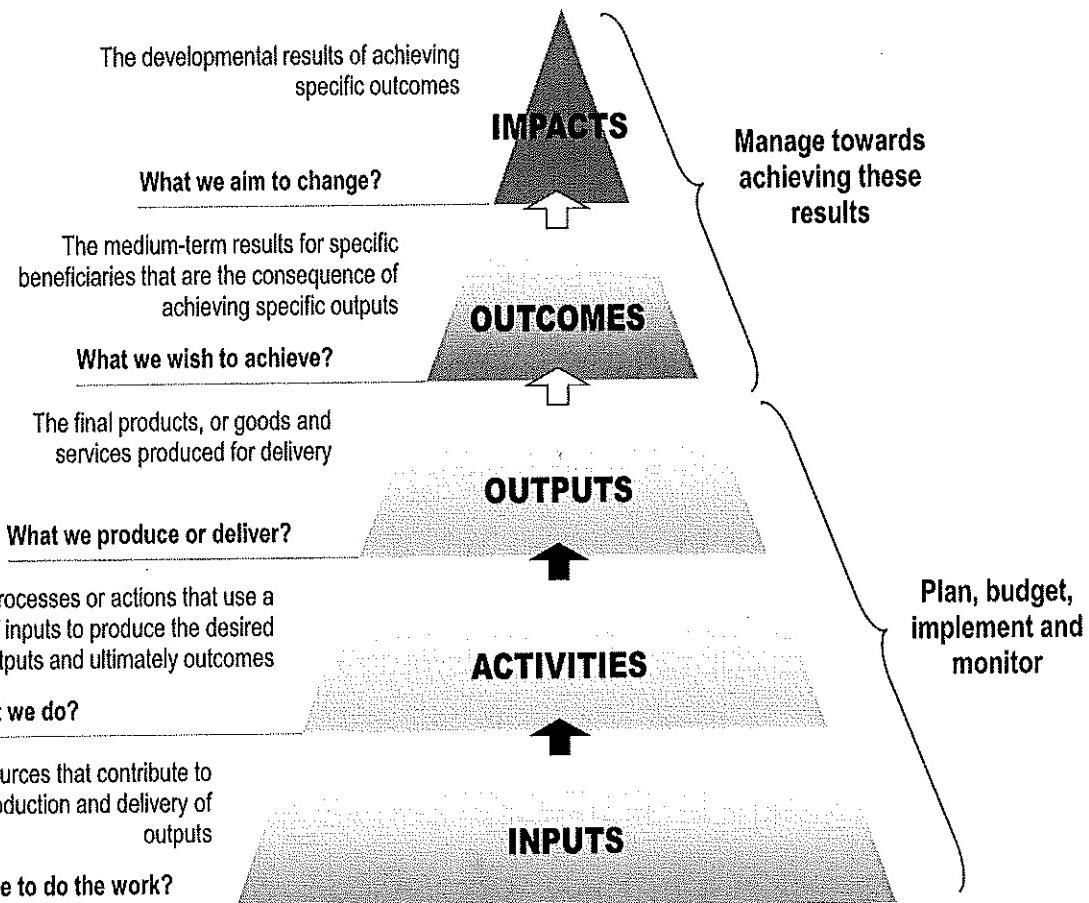


Figure 2 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 26 MBRR Table SA8 - Performance indicators and benchmarks**NC075 Renosterberg - Supporting Table SA8 Performance Indicators and benchmarks**

Description of financial indicator	Basis of calculation	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Borrowing Management											
Credit Rating	Interest & Principal Paid/Operating Expenditure	6.5%	8.5%	0.0%	1.1%	0.4%	0.0%	0.0%	0.2%	0.2%	0.2%
Capital Charges to Operating Expenditure											
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing (Own Revenue)	21.9%	42.1%	0.0%	3.1%	1.2%	0.0%	0.0%	1.0%	1.0%	1.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	0.2	0.4	-	1.1	1.2	-	-	0.9	0.9	0.9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.2	0.4	-	1.1	1.2	-	-	0.9	0.9	0.9
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.0	-	0.0	0.0	-	-	0.0	0.0	0.0
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	58.9%	67.9%	0.0%	76.2%	132.9%	0.0%	0.0%	40.0%	40.0%	40.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		56.9%	67.9%	0.0%	76.2%	132.9%	0.0%	0.0%	40.0%	40.0%	40.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	54.4%	37.7%	0.0%	122.8%	146.1%	0.0%	0.0%	153.9%	149.2%	146.6%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within Terms (Within MFMA's 65(e))	16502.5%	-798.7%	0.0%	-1542.4%	1208.9%	0.0%	0.0%	-699.1%	-911.7%	-2920.3%
Other Indicators											
	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/Units purchased and generated										
	Total Volume Losses (kL)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/Units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	31.6%	24.3%	0.0%	35.3%	39.3%	0.0%	0.0%	48.3%	45.4%	45.1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	9.3%	6.0%	0.0%	6.5%	0.0%	0.0%	0.0%	49.3%	49.0%	48.6%
Repairs & Maintenance	R&W/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	56.2%	44.3%	0.0%	4.3%	4.0%	0.0%	0.0%	49.4%	45.2%	41.9%
DP regulation Financial Viability Indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	50.2	-	-	-	-	-	-	50.3	54.4	58.1
ii O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	168.7%	157.1%	0.0%	357.1%	480.5%	0.0%	0.0%	483.2%	470.8%	466.4%
iii Cost coverage	(Available cash + investments)/monthly fixed operational expenditure	0.3	(2.0)	-	(1.1)	1.7	-	-	(2.9)	(2.2)	(0.7)

2.4 Performance indicators and benchmarks

2.4.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Batho Pele City's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2018/119 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. The ratio is 0 per cent due to no long-term loans.
- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing increased to 0.2 per cent in 20018/19 and then stay at 0.2 per cent in 2020/21. This increase can be attributed to the raising of loans to fund the finance of fleet.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

2.4.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves. During the 2018/19 financial year the ratio is 0 per cent.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2014/15 and 2020/21 the gearing peak at 0 per cent. This was primarily a result of having no long term borrowing

2.4.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2018/19 MTREF the current ratio is 0, 9 in the 2018/19 financial year and 0.9 for the two outer years of the MTREF. Going forward it will be necessary to increase and maintain levels above 1.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2017/18 financial year the ratio was 1.2 and as part of the bad financial planning strategy it has been increased to 0.9 in the 2018/19 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.4.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.4.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.4.6 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the City's strategy to ensure the management of its asset base.

2.4.7 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2017/18 financial year 2195 registered indigents have been provided for in the budget with this figure increasing to 2800 by 2018/19. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, sanitation and free waste removal once a week.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.4.8 Providing clean water and managing waste water

The City is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Renosterberg Municipality's is striving to obtain full Blue Drop status in 2017/18 indicating that the Municipality's drinking water is of exceptional quality

The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

2.5 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.5.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in March 2018. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2018/19 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 40 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.5.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipal revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.5.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.5.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in September 2017. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.5.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the City's system of delegations. The Budget and Virement Policy was approved by Council in August 2017 and was amended on March 2018 in respect of both Operating and Capital Budget Fund Transfers.

2.5.6 Cash Management and Investment Policy

The City's Cash Management and Investment Policy was amended by Council in March 2018. The aim of the policy is to ensure that the City's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

2.5.7 Tariff Policies

The City's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.5.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy have directly informed the compilation of the 2018/19 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2017/18 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, Indigent factors, growth, recessionary Implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available at the Municipal offices, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.6 Overview of budget assumptions

The following assumptions were crucial and determining factors during the Budget process and the preparations of the budget.

2.6.1 Assumptions

- National Treasury direction or guidelines budget increase that must be in line with the macro-economic strategy as reflected in the MFMA Budgetary circular 78 and 79 and 82 and 91.
- Average year on year inflation (February 2016 to January 2017) as per the Reserve Bank parameter is 5,1 % but it does not really reflect the real price increase on the ground CPIX is currently at 3,83%
- NERSA tariff increase guideline stated that municipalities should budget for increase between 2,6% to 4,6%. The average increment will be as from 01July 2018. The Bulk Purchases increase of Eskom will be 7, 38% which will have a direct impact on the sale and procurement of electricity but on price hikes in general.
- The current situation at Eskom is also contributing to the uncertainties and uncontrollable factors experienced by South Africans as whole.
- Salary Budget increase for the next Financial Year will be provided for at an estimated level of at 7.0% since the salary negotiations are still not finalised. We are waiting on the final SALBGC in this regard.
- Apart from the normal salary increments, Medical Aid Employer contribution increments will between 7% - 9%. This places a heavier financial burden on the revenue sources and impacts on the tariff calculations as a whole.
- General increase in purchasing or cost price of normal items increase on average between 7-12% in comparison with the period last year.
- The current economic status of JUNK Economic STATUS will contribute to a weaker Rand, high Foreign Exchange Rate and the increase in OIL prices are also not favourable to the current economic outlook.
- The macro economic outlook impacts not only directly on municipalities but forces municipalities to operate within their budgetary means. Expenditure control will be a major controlling factor for years to come.
- The current economic conditions do not alleviate and promote job creation hence the unemployment levels contribute to non-payment for municipal services. This impact seriously negative on Cash flow reserves of the municipality.
- Repair and maintenance cost, together with labour cost of repairing municipal assets also fall victim of huge price hikes which need to be taken into consideration. This is an area where much more investment will be required over the next few years.

2.6.2 Forecasting of revenue and expenditure

1. Revenue

1.1 Rates and Taxes

- Tariffs will increase and decrease depending on the valuation of the property.
- Increments have been conservatively calculated to maintained sustained income levels taking into consideration the new valuation of properties.

1.2 Electricity

- Electricity Tariffs will increase by 6, 84%.

1.3 Water

- Water will increase by 5,50%
- Indigent households will be getting the first 6kl of water free as it is included their Free Basic Services Basket.

1.4 Sewerage and Refuse Removal

Both tariffs will increase by 5, 50%

The Total budgeted average increment for all revenue sources will be between 3-6, 8 %.

2. Expenditure

2.1 Employee cost: Salaries and wages

- Salaries and wages has been provided at an increment of 7.0%

2.2 Employee Costs; Benefit Contribution

- A provision of an average increment between 7 and 8 % has been provided

2.3 Repair and Maintenance

- A provision of an average increment of 5% will be provided. This shows Council commitment to the maintenance of all assets.

2.4 Bulk Purchases

- Municipality and Eskom have a fixed agreement that the bulk purchase with the payment on outstanding debt at Eskom will be amount to R 9,231 000 for the financial year.

2.5 Capital Charges

- Capital Charges will increase due to the new fleet

2.6 General Cost

- A provision of an average numeration of 3% will provided.

2.7 Provision for Bad Debt

- A provision of an average increment of 14% has been provided on all budgeted levied revenue.

Conclusion

The budget is very much driven by income generation with emphasis being place on the collection of revenue (Cash management) and also focuses on building and maintaining infrastructure development within the Renosterberg Municipality.

Affordability and the payment for municipal services remains the corner stone of 2018/2019 municipal budget. This will be entrench in preparation of future budgets.

Renosterberg Municipality remains committed to sustainability and improvement of service delivery to all its residents. The various initiatives that Council will be undertaking will mould and cement its mandate to improve the lives of all residents by focussing on the poor and creating an environment conducive to local economic development.

The Budget is prepared under the imperative mandate that it is a realistic budget. Thank you.